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PARIS, SATURDAY-SUNDAY, JUNE 17-18, 1989

Hungary Reburies and Honors Nagy and Other 1956 Revolt Leaders

By Jackson Diehl
Washington Post Service

BUDAPEST — Hundreds of thousands of Hungarians paid homage Friday to the executed leaders of the 1956 revolution, including Prime Minister Imre Nagy, as their remains were solemnly reburied in the same distant cemetery plot where they lay unattended and unacknowledged for three decades.

A crowd estimated at 250,000 gathered in Heroes Square Friday morning to lay wreaths and flowers by the coffins of Mr. Nagy and four colleagues, who were eulogized by leaders who survived the Soviet Army's suppression of the revolt.

Thousands more lined the road to the Rakotkiesztur Cemetery in the afternoon to watch as hearses carried the remains to an elaborate funeral ceremony attended by hundreds of relatives of executed participants in the uprising.

The ceremonies marked the public rehabilitation of men officially condemned for decades as traitors and counterrevolutionaries because of their doomed attempt to restore democracy in Hungary and to withdraw the country from the Warsaw Pact.

Veterans of the uprising said the funeral opened a new era in which their goals could be realized through peaceful means.

"Hungarians all over the world prayed for this day," said Sándor Racz, chairman of the Central Workers Council during the revolution.

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Prime Minister Miklos Nemeth, left in above photo, and Imre Pozsny, a Communist Party advocate of change, standing honor guard at the reburial. At left, a man bearing a flag weeping for the five leaders of the 1956 uprising who were hanged 31 years ago.

Ill Wind in China: Dissent Yields to Suspicion and Survival Instinct

By John Burgess
Washington Post Service

BEIJING — An American reporter drove to a village outside Beijing the other day to try to find out whether people there were taking to heart the government propaganda offensive against China's routed democracy movement. He found that they were. They turned him in to the local police.

Seven hours of questioning and a brief "self-criticism" essay later, he was allowed to go. He had learned firsthand how Chinese are reverting to old habits of self-preservation as a harsh political wind blows across their society.

For seven weeks before the deadly assault in the pre-dawn hours of June 4 by the People's Liberation Army on Tiananmen Square, the fo-

cus of pro-democracy demonstrations, Beijing glowed red-hot with political debate and discussion in a way not seen in 40 years of Communist rule. As protesters took control of street after street, people became more and more vocal on the most sensitive topics.

Now, with the crackdown on all dissent, suspi-

NEWS ANALYSIS

cion is reigning again, governing all personal dealings. Students warn each other to be careful of newcomers when universities reopen, and people who witnessed troops shooting civilians around Tiananmen Square refuse to talk about it. Pedestrians, once happy to stop and chat with

Chinese-speaking foreigners, now press on with-out interrupting their stride.

The government has begun reviving an informer network that during the pro-democracy demonstrations people had almost forgotten existed. And it has set up telephone hot lines to identify counterrevolutionaries to the police.

Government propaganda depicts informing as a civic duty, regardless of how close a relation the suspect may be. One of the first student leaders to be arrested this week, government television reported with apparent approval, was turned in by his sister and brother-in-law.

Since the Communists came to power, the Chinese have grown accustomed to cycles of repression. They have learned to tailor their

behavior to fit the *zhengzhi kongqi*, or political climate, of the day. In the current round, they seem to be setting about the task with fear and much stoicism.

Some diplomats have found that Chinese employees who initially supported the movement returned to work after the army assault and spoke of the wisdom of Prime Minister Li Peng, the hard-liner who helped engineer the crackdown and who has become widely reviled in China.

Many Beijing residents seemed shocked by videotaped scenes of violence by demonstrators. Close-ups of the corpses of soldiers who died in firebombed vehicles have been shown repeatedly on state-run television in a government effort to

persuade Chinese citizens that there was no massacre. There has been no coverage by the official news organizations of civilian deaths. Witnesses said that at least 700, and perhaps thousands, of people died in the assault.

"The students would have been better off without those bad elements," a Beijing shop clerk observed.

Other Chinese do not believe the government campaign but say little, simply to survive in a country with virtually no political freedom.

"We can only be cynical," said a university professor who supported the democracy move-

See CHINA, Page 5

Kiosk

Tass Discloses N-Plant Blast

MOSCOW (UPI) — The Soviet Union acknowledged Friday that a nuclear accident in the Urals 32 years ago forced the evacuation of 10,000 people and that 20 percent of the area contaminated by radioactivity is still uninhabited.

The disaster in the Urals, which was reported previously by Soviet dissident scientists who had emigrated to the West, occurred in 1957 when a tank at a defense plant containing radioactive waste exploded north of the city of Chelyabinsk, 1,300 kilometers (800 miles) east of Moscow, the Tass news agency said.

"The accident was never reported as it occurred at a defense factory," Tass said. It added that "economic activity had been restored over 80 percent of the initially contaminated zone by 1978. The rest of the area was turned into a reserve."

Tass said there were no casualties in the explosion and added that 2 million curies of radioactive elements were discharged, compared with 50 million curies in the 1986 Chernobyl nuclear explosion.

It said the details of the accident came to light in connection with "fiery debate" in Chelyabinsk over government plans to build an atomic power plant in the southern Urals.

Spain to Join EMS

MADRID (AP) — Spain expects to become a full member of the European Monetary System on Monday, putting the peseta into the group's exchange mechanism. (Page 15)

General News

Black students in South Africa marked the 13th anniversary of the Soweto uprising. Page 7.

Sports

Four golfers fired holes-in-one in the second round of the U.S. Open. Page 21.

Business/Finance

Eastern Airlines agreed to sell eight gates and other assets to Midway Airlines. Page 18.

Crossword

The Dollar in New York
Doll 1.9825
Pound 1.54
Yen 144.85
FF 6.7356

Tokyo Warns Business On Rush Back to China

Compiled by Our Staff From Dispatches

TOKYO — Foreign Minister Hiroshi Mitsuoka criticized China's crackdown on dissent Friday and voiced displeasure that Japanese businessmen rushing back to China appeared to be "trying to make money like a thief at a fire."

His comments came as Japan, Britain, Canada and Australia moved to provide refuge for those escaping repression of the Chinese pro-democracy movement and as Beijing came under renewed criticism on Friday.

● In Washington, State Department sources said that the Bush administration had granted refuge to at least two more Chinese diplomats based in the United States.

Any Chinese official who seeks to remain in the United States will be allowed to do so, a State Department official said. Earlier in the week, two Chinese diplomats in San Francisco announced that they intended to defect.

The chief White House spokesman said Friday that President George Bush deplored the persecutions of Chinese who had demonstrated for democracy. But he said that Mr. Bush had no current plans

to impose further sanctions or to interrupt relations with China.

"We'll continue to measure it as we go forward," said the spokesman, Martin Fitzwater. "Sanctions are always a part of that review, but we have nothing to announce."

"The persecution of people for the exercise of basic human rights such as the freedom of expression, freedom of association, freedom of the press is of course deplorable," he said.

● In London, the Home Office said it would grant a six-month visa extension to all Chinese citizens who did not want to return home while their country was in turmoil. The office said that about 6,500 Chinese citizens, 3,500 of them students, lived in Britain.

● In Ottawa, the Canadian government confirmed that several Chinese diplomats and staff members had sought to defect since the army crushed pro-democracy protests in China earlier this month. It refused to identify them.

The Canadian Broadcasting Corp. quoting government sources, said that defections had taken

See DEFECT, Page 2



Soldiers hunting for fugitive pro-democracy demonstrators searched the luggage of a student on Friday outside a train station in Beijing.

Shaken by Scandal, Papandreou Faces the Voters

By Edward Cody
Washington Post Service

ATHENS — Tarnished by scandals in his personal affairs and his eight-year government, Prime Minister Andreas Papandreou of Greece has entered the final stage of a battle for his political life, one that will be won or lost Sunday in Greece's general elections.

The outcome, which Greek pollsters say remains uncertain, will determine whether Mr. Papandreou's Pan-Hellenic Socialist Movement continues to guide Greece on a course of moderate socialism marked by

often-prickly relations with the United States.

The main challenger, Constantine Mitsotakis, leader of the conservative New Democracy party, has vowed to inject more free enterprise into the ailing Greek economy and conduct relations with Washington in a more pragmatic style.

A clear change in government could sweeten the atmosphere in difficult negotiations over U.S. military bases on Greek soil and in Washington's effort to win extradition of Mohammed Rashid, a Palestinian jailed in Athens and wanted in connection with the 1982 bombing of a Pan

Am airliner over Hawaii. But a close race has raised fears of political instability that likely would put such issues on hold.

The vote will show whether Mr. Papandreou, 70, has maintained his long-time hold on the Greeks despite a flamboyant love affair with a woman half his age and a series of financial irregularities in his administration that raise doubts about government integrity and Mr. Papandreou's ability to manage Greece for a third four-year term.

That the question is still posed after nine months of continuous scandal is seen as a tribute to the magnetism and political ac-

men of the veteran Greek leader, who once taught economics at the University of California at Berkeley and who has dominated his country's politics through the 1980s.

Since November, nine high-ranking government officials have resigned or been dismissed in the unfolding scandals over the activities of George Koskotas, a banker and financier awaiting extradition hearings in the United States. In published articles, Mr. Koskotas, who is accused of embezzling more than \$200 million from the Bank of Crete when he was its owner, has

See GREECE, Page 2

Haughey Is Lagging on a Majority

Reuters

DUBLIN — Prime Minister Charles Haughey may fall just short of the overall majority he fought for in the Irish general election, according to unofficial estimates from party workers on Friday.

Aides estimated that Mr. Haughey would win 79 to 82 seats. He needs 83 to gain control of Parliament, thereby fulfilling a long-held ambition.

If the party workers' predictions prove correct, the loss will prove a strong blow to Mr. Haughey, who has gambled that the Irish would back his tough attitude toward the debt-ridden Irish economy.

Mr. Haughey, a self-made millionaire, is an abrasive pragmatist whose personality provokes strong passions among voters. They may prefer to see him head a minority

government that must work with a qualified opposition.

Ballot surveys showed that the Progressive Democrats, a party formed three years ago by Haughey dissidents, fared badly, losing as many as half of their 14 seats.

Mr. Haughey's Fianna Fail did well among Dublin middle-class voters but suffered in rural areas, where voters were angry about hospital closings.

The Green Party made a strong showing, and Sinn Féin, the political wing of the Irish Republican Army, appeared to have a good chance of winning a seat in a working-class area of Dublin.

In the first official result, Foreign Minister Brian Lemmon, recovering from a liver transplant in a clinic in the United States, retained his seat with a wide majority.

Tories Trail in Europarlament

Compiled by Our Staff From Dispatches

LONDON — An exit poll of European Parliament voters, involving nearly 8,000 people outside 200 polling booths, indicated that Prime Minister Margaret Thatcher's Conservatives are suffering a mid-term slump in popularity.

The opposition Labor Party was further bolstered when it swept home in two national Parliament by-elections. One of these seats was in London and the other in Glasgow, scenes of a loss to Scottish nationalists in a neighboring constituency six months ago.

In the election for the European Parliament, the exit poll indicated a 44-percent share of the vote for Labor and 32 percent for the government. This would increase the opposition's seats in the Strasbourg

parliament from 32 to 51 and would cut the Conservatives back from 45 to 26.

Roy Hattersley, deputy Labor leader, called the gains "a massive step towards achieving a Labor victory at the next election."

Kenneth Clark, Mrs. Thatcher's health secretary, blamed economic problems and the mid-term protest votes for the Conservatives' apparent defeats.

"But we've seen worse than this," said Mr. Clark, arguing that the Conservatives would recover before the next general election, which must be held by mid-1992.

Politicians at Westminster said that if the exit poll was correct, Mrs. Thatcher would be under more pressure to carry out an early cabinet reshuffle.

(Reuters, AP)

Have (Yawn) Jet Lag? Let There Be Light

By David S. Hawkins
New York Times Service

NEW YORK — Researchers have discovered how to treat such sleep disorders as insomnia and jet lag quickly and simply by resetting the human body clock with exposure to light.

The researchers said their findings suggested that sleep disorders might be treated by such simple actions as turning a reading lamp on and off.

The findings fundamentally change the way scientists look at the influence of light on a variety of behavior. Experts said the research shows promise of helping people with insomnia and other sleep disorders, travelers who suffer jet lag and millions of people whose sleep patterns are disrupted by working late or odd shifts.

"If we can do with light what we have been trying to do with drugs or motivation, we are vastly better off," said Dr. David F. Dinges, a

See SLEEP, Page 2

Some Problems That the Findings Might Help

● Jet lag. Spending two days in outdoor light can reset the body's time clock. People who travel on business and spend daylight hours indoors may take a week to recover after a flight across several time zones, the researchers said.

● Insomnia and other sleep disturbances, including early waking, a common problem among the elderly. Researchers say that their findings indicate that insomnia who turn on a reading light when they are unable to sleep may be making

their problem worse by altering their biological clocks.

● Sleep disruptions from working late or odd shifts. The researchers said that such problems might be reduced by adjusting lighting in the workplace.

The findings may also apply to other problems, including seasonal affective disorder, which can produce depression in winter. New research indicates that even low levels of light, when properly applied, might help in these conditions.

U.S. Widens Inquiry Into Housing Agency Fraud

By Philip Shenon
New York Times Service
WASHINGTON — Attorney General Dick Thornburgh has ordered federal prosecutors around the United States to investigate all local offices of the Department of Housing and Urban Development for possible fraud and embezzlement.

The order came as Housing Secretary Jack F. Kemp said in an interview that the department was a "swamp" and vowed to pursue charges of widespread influence-peddling and mismanagement at the housing agency during the Reagan administration.

"I was not shocked as much as outraged," Mr. Kemp said of his

reaction to conditions he inherited from the previous housing secretary, Samuel R. Pierce. "I knew it was a swamp, but I just didn't know that it was at the level it is."

Asked Thursday about President George Bush's reaction to developments at the department, Martin Fitzwater, the chief White House spokesman, said the president "is confident that Secretary Kemp is going to get it straightened out — to turn the management around."

A Justice Department spokesman said the attorney general had ordered all 94 U.S. attorneys to focus their inquiries on the HUD property sales division, which handles the sale of homes obtained by the government through foreclo-

tures, and on the actions of private escrow agents hired by the department.

The spokesman, David Runkel, said the order was prompted by the recent disclosure that escrow agents might have stolen millions of dollars from the sale of government-owned homes. The agents oversee final paperwork on the sale of homes obtained by the government after homeowners default on insured mortgages.

One agent in Maryland, dubbed "Robin HUD" by federal investigators, has said she diverted as much as \$5.5 million to charity.

An escrow agent in Texas was indicted earlier this month on charges of embezzling nearly \$2.5

million from the sale of dozens of homes in the Dallas area.

The Justice Department has confirmed that prosecutors in Baltimore, Dallas and Fort Worth, as well as in Washington, are investigating allegations of fraud involving escrow agents.

The order by Attorney General Thornburgh on Thursday broadened the department's inquiry substantially.

Francis A. Keating, general counsel-designate at HUD, said that the broadened criminal investigation was requested by Mr. Kemp on Tuesday.

"We're delighted that the Department of Justice is willing to help us in uncovering every pebble

and every rock that may hide wrongdoing," Mr. Keating said.

HUD has contracts with scores of private escrow agents throughout the country. These agents are expected to forward proceeds from the sales to Washington, minus a small commission.

In some cases, department officials say, the agents pocketed the money with little fear that their actions would be detected.

A departmental audit released in April showed that tens of millions of dollars in rent subsidies under a federal low-income housing program had been distributed to developers who retained high-priced Republican consultants to lobby Mr. Pierce and his senior aides.

U.S. Aide Calls Navy Remiss in Sinking Ships

Washington Post Service

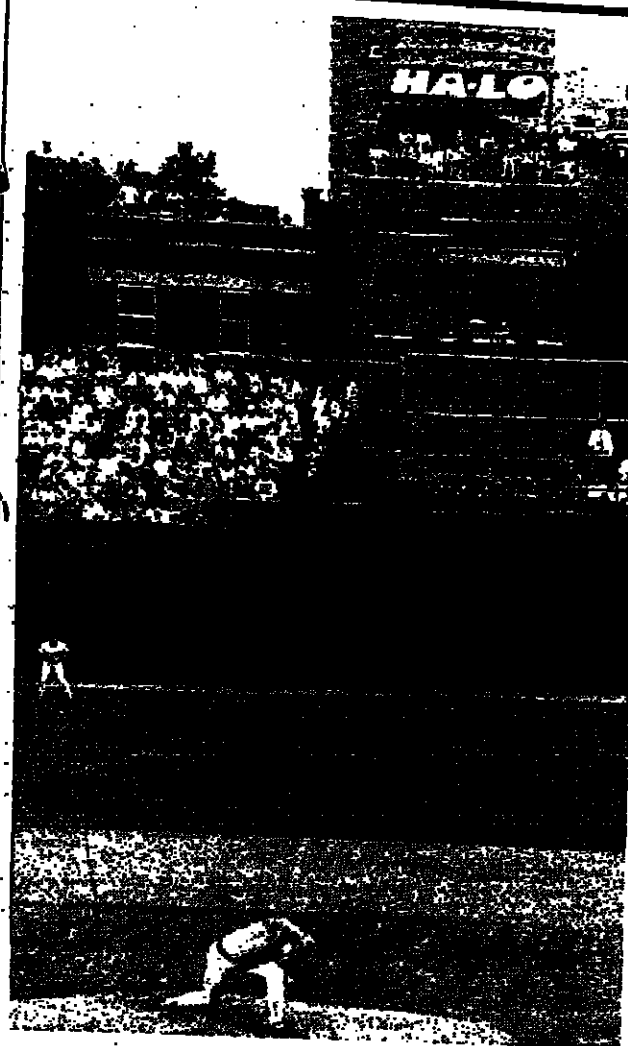
WASHINGTON — The Pentagon's inspector-general said in a report that "the navy has been derelict" as it has been sinking surplus ships without removing millions of dollars of furniture and equipment from them.

Lying at the bottom of the sea, the inspector-general wrote, are ships containing everything from mattresses to milling machines that could have been sold for at least \$17 million.

Representative William S. Broomfield, Republican of Michigan, who made the Pentagon report public, described the situation as "a bureaucratic jungle that just shows you how loose things have been over there."

The inspector-general's report, dated June 2, was triggered by an inquiry from a contractor who was prohibited from stripping a ship before sinking it under a navy contract.

Unless procedures are changed, the inspector-general warned, an additional \$4 surplus navy and army vessels containing "540 million worth of material" will be sunk.



OVER THE FENCE, BUT IS IT FAIR? — Chicago Cubs fans watching a game from a rooftop near Wrigley Field. The building's owner rents out the roof for \$600 a night. The team management has threatened to erect a barrier to block the view. "We think it's just wonderful for the neighbors to go up on the roof to watch our games," a spokesman said, but marketing it goes "beyond the bounds of what's decent."

AMERICAN TOPICS

In the Computer Age, Who Needs Coupons?

Computers are challenging the supermarket coupon. The New York Times reports. This fall, several big supermarket chains, including Pathmark, Vons and Giant, will begin testing a program that will track purchases on computers and offer rebates to regular buyers of certain brand-name products.

Shoppers who agree to take part would present special cards similar to credit cards that would be scanned electronically at the checkout counter. When they buy enough of a certain brand of product, they will get a cash credit. Someone who buys five pounds, or about two kilograms, of a particular brand of flour, over three months, for example, might receive a \$1 credit. People who buy the maximum amount of every brand on the list might be credited with as much as \$150.

The system would enable retailers and manufacturers to gather highly detailed information about participants' shopping habits. Shoppers would get discounts without having to clip and collect coupons.

The program is being set up by Citicorp POS Information Services of Stamford, Connecticut. A spokesman said that since participation is voluntary, the issue of invasion of privacy does not arise.

Short Takes

California authorities have accused several grape growers of selling cheap grapes to wineries as premium grapes, mostly in the San Joaquin Valley, the Los Angeles Times reports.

Once the grapes are off the vine, it's hard to tell cheap colombar grapes from expensive chardonnays, said Frank Indelicato of Delicato Vineyards in Manteca. "You have to analyze the seeds."

As people live longer, "elder care" is expected to become as important an employee benefit as child care. A growing number of companies, including International Business Machines, First Interstate Bancorp and American Express, are including some sort of elder care option or insurance program in employee benefits. Surveys show that up to a third of all workers take responsibility for elderly relatives.

Notes About People

Martin Sheen, the film actor, will remain honorary mayor of Malibu, California, despite his declaration shortly after the Chamber of Commerce appointed him that the wealthy seaside community was "a sanctuary for aliens and the homeless." Many fellow residents urged the chamber to rescind the ceremonial title. But at a closed meeting the chamber voted to support him as honorary mayor for 1989. A former chamber president, Peter Arnold, said, "Sheen possesses and is entitled to his own points of view and I think he is truly trying to do good."

Although Representative Robert J. Mrazek, a New York Democrat, lives a continent away from Alaska's Tongass National Forest, his efforts to stop logging of the centuries-old pines there has inspired some Alaskans to display bumper stickers proclaiming, "I'm proud of my congressman: Bob Mrazek." He said he received "at least 300 write-in votes in the last election up there."

Arthur Higbee

A California Winery Joins Fight on Curbside Drinking

By Jane Gross

New York Times Service

SAN FRANCISCO — Under pressure from community groups in the seedy Tenderloin district of this city, the world's largest winery has agreed to suspend sales of the cheap, fortified wines that are curbside alcoholics' beverage of choice.

For the next six months, the B&J Gallo Winery will not distribute its Thunderbird and Night Train Express brands to the markets and liquor stores in this 20-block neighborhood, where 5,000 children share a playground with drunks and addicts who panhandle, urinate and battle in their midst.

While a few other neighborhoods in San Francisco and elsewhere have forced fortified wines off the shelves, Gallo's move appears to be the first by a winemaker.

The decision comes as attitudes

are toughening toward problem drinking and as critics inside and outside the industry are arguing that such wines, which cost \$1 a pint (about half a liter), have little to recommend them.

"If what we've done improves the alcohol problem in this neighborhood, we'll do the same thing in other neighborhoods," said a Gallo spokesman, Dan Solomon. "We'll see on the basis of this test."

Mr. Solomon reiterated Gallo's long-standing position that alcoholics who are deprived of one way to get inebriated will find another.

"But we're as anxious as anyone to find out if our belief and the evidence of history is true," he said.

Similar grass-roots efforts elsewhere have removed cheap wines from neighborhood stores without the cooperation of the wineries.

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PHILIPS

U.S. May Alter Missile Stand

Joint Chiefs Favor a Full Count of Bomber-Borne Load

By Michael R. Gordon
New York Times Service
WASHINGTON — The Joint Chiefs of Staff have suggested a new approach for counting air-launched cruise missiles that could help close the gap between Washington and Moscow on the issue, according to U.S. officials.

The Joint Chiefs' approach was disclosed as President George Bush convened a meeting Thursday of the National Security Council to discuss initiatives that the United States might present when the strategic arms talks resume on Monday in Geneva.

Administration officials said Mr. Bush had decided against any fun-

damental changes in the U.S. stand, though some important modifications might be made.

Most of the positions taken by the Reagan administration have been affirmed by Mr. Bush, the officials said.

The administration has been weighing new measures on land-based missiles, such as abandoning a Reagan administration proposal for a ban on mobile missiles.

But key participants at the National Security Council meeting were said to oppose such a shift on mobile missiles for further consultations with Congress and continuing examination of treaty verification questions.

The new suggestion by the Joint Chiefs on air-launched cruise missiles addresses one of the thorny issues in the negotiations.

Moscow has insisted that each strategic bomber be counted as having the maximum number of cruise missiles it is able to carry.

The Reagan administration, in contrast, contended that only loose limits should be set on air-launched cruise missiles, asserting that relatively slow cruise missiles are less threatening than faster ballistic missiles.

Under the Reagan administration approach, different types of bombers would be counted as carrying a specific number of cruise missiles, even though they might actually carry more.

Such an approach would appear to move the United States toward the Soviet position, although some significant differences over these weapons would remain.

A senior administration official said no formal decisions were made at the National Security Council meeting. He said some strategic arms issues now before the administration might not be made before the talks resumed in Geneva.

No major changes are expected at this time in the Bush administration's stand on space-based anti-missile systems and sea-launched cruise missiles, two major points of dispute between Washington and Moscow in the arms negotiations.

Kohl Says Gorbachev Accepts U.S. Time Frame

By Robert J. McCartney
Washington Post Service

BONN — Chancellor Helmut Kohl, reporting to parliament on his talks this past week with Mikhail S. Gorbachev, said Friday that the Soviet leader believed that President George Bush's goal of reaching an East-West agreement in six months to a year to slash conventional forces was "quite attainable."

The West German chancellor said Mr. Gorbachev also shared Mr. Bush's view that an accord to reduce troops, tanks and other nonnuclear forces in Europe could be carried out by 1992 or 1993.

Mr. Gorbachev, while welcoming Mr. Bush's initiative May 29 to speed up the Vienna negotiations on conventional forces, has not said publicly whether he supported the U.S. timetable.

But Mr. Kohl said in parliament that Mr. Gorbachev "was of my opinion that the deadlines set by President Bush for a treaty in 6 to 12 months, and implementation by 1992-1993, could be quite attainable with efforts by both sides."

The chancellor, who met privately three times with Mr. Gorbachev during the Soviet leader's four-day trip, said the two had agreed "to remain in close personal contact" to coordinate efforts to keep the Vienna talks moving forward as quickly as possible.

Prior to Mr. Bush's proposal, the Soviet position, had been that conventional forces reductions should be completed by 1997.

The Soviet Foreign Ministry spokesman, Gennadi Gerasimov, asked this past week whether the new U.S. timetable was realistic, said that a delay of at least three months was expected because the North Atlantic Treaty Organization planned to wait until September to present a detailed proposal in Vienna, including the details of the Bush initiative.

NATO endorsed the initiative in principle at its meeting last month in Brussels.

But many Western officials, including Prime Minister Margaret Thatcher of Britain, have suggested that it was unrealistic to expect an accord as early as Mr. Bush proposed. This is because of the large variety of weapons involved in the talks and the difficulty of establishing a means of verifying arms cuts.

Mr. Kohl said an early agreement on reducing conventional forces would "make the way clear" for U.S.-Soviet negotiations on reducing short-range nuclear missiles in Europe, which West Germany strongly desires.

Busy Singapore Faces Trade Dilemma

By Michael Richardson
International Herald Tribune

SINGAPORE — With two tugboats fusing alongside, the 5,500-ton container cargo ship, Kiang Reefer, edged away from the wharf and sounded a siren to warn small craft in the channel to get out of the way.

Even in the outer harbor, the Kiang Reefer had to move at slow speed as it passed dozens of freighters, tankers, bulk carriers, fishing trawlers and other vessels lying at anchor.

Eventually, with a final hoot of triumph, the departing ship reached port limits and steamed away at the start of a recent voyage to Hong Kong.

Each day an average of about 200 vessels carrying exports or imports leave or enter Singapore's port, one of the busiest in the world.

Officials, businessmen and economists in Singapore say that international trade has brought unprecedented prosperity to this crowded island state of 2.6 million people, helping to compensate for its lack of natural resources.

But Singapore's reliance on trade is a major source of concern to the government and private sector as global economic growth slows and pressures increase in the United States, the European Community and Japan to protect domestic industries against competition from imports.

"It's disturbing," the minister for trade and industry, Lee Hsien Loong, said in an interview.

"We are happy to see the volume of trade go up," he added, "but it shows that we are getting more vulnerable, rather than less vulnerable, to trade restrictions."

No other country is more trade-dependent than Singapore. In 1988, the value of its total trade was almost three and a half times the value of the goods and services produced by its dynamic economy.

Only Hong Kong, which also acts as a transshipment, processing and packaging center for things produced and destined for sale elsewhere, has a comparable trade-dependence ratio.

Both are free ports. Singapore levies no import or export duties except on fuel, tobacco and a few other items. Foreign exchange controls are almost nonexistent, as are controls on the flow of capital and goods.

"Given Singapore's small size," said Nicho-

las Kwan, an economist with Merrill Lynch, "sustained long-term growth has to rely on its continual success in securing overseas markets."

Manufacturing accounted for slightly more

than 30 percent of Singapore's gross domestic product in 1988, and more than 65 percent of this industrial output was exported.

Because of Singapore's dependence on access to Western markets, officials and businessmen are developing new strategies for avoiding protectionism or minimizing its impact. A major element of the plan is to move away from traditional manufacturing into selected industries and services that are considered to have good prospects for export growth.

These activities incorporate advanced technology, specialized skills and products, and substantial research and development. They also take advantage of Singapore's position as a regional telecommunications, transport and financial hub.

"We are trying to pick and promote industries that command a niche market and have a technological edge over their competitors," said Yeo Seng Teck, chief executive officer of the Singapore Trade Development Board.

For example, a major cholesterol and lanolin processing plant built at a cost of more than 100 million Singapore dollars (\$51 million) was officially opened early this month in an industrial zone on the western edge of Singapore's main island.

The highly automated project is a joint venture between Yoshikawa Oil & Fat Co. of Japan and the Singapore government's Economic Development Board. Executives of the company said that cholesterol and lanolin products were in short supply and would be exported to pharmaceutical, cosmetic and leather-tanning industries in more than 70 countries.

In the past year, the government has introduced incentives to strengthen small- and medium-sized local industries and to encourage firms to invest in key overseas markets to avoid protectionist barriers and enlarge sales prospects.

John R. MacKay, senior vice president for manufacturing operations at Western Digital Corp., a U.S. firm that makes computer disk drives in Singapore, said that as the process of globalization continues, products of the computer and electronics industry made in one region will rapidly be moved to others.

But some Singapore economists and businessmen said that plugging into the marketing systems of multinational corporations has created problems and risks for Singapore.

Critics say that it has stifled development of private sector entrepreneurs and companies. They add that this will limit prospects for expanding indigenous export capacity and put Singapore at a competitive disadvantage against Taiwan and Hong Kong, where local companies have been more aggressive in tapping overseas markets.

Foreign companies account for about 70 percent of Singapore's manufacturing output, over 80 percent of direct exports and about 50 percent of industrial employment.

In the past year, the government has introduced incentives to strengthen small- and medium-sized local industries and to encourage firms to invest in key overseas markets to avoid protectionist barriers and enlarge sales prospects.

Gandhi Rebuffs U.S. on an Unfair-Trade Inquiry

By Richard M. Weintraub
Washington Post Service

NEW DELHI — Prime Minister Rajiv Gandhi said Friday that New Delhi would not negotiate with Washington on India's trade practices under provisions of the U.S. Trade Act.

India was one of three countries, along with Japan and Brazil, named by the Bush administration under compulsory sections of the trade measure as having unfair trade practices.

Speaking only hours before formal notification was issued in Washington that an investigation process had begun, Mr. Gandhi told reporters in Calcutta: "We will not be dictated to by anybody as to

how to run the country and make our laws."

While he held open a possibility of discussions on bilateral issues, he said, "There will be no discussion on Super 301."

Under the so-called "Super 301" provisions of the trade act passed last year by Congress, the Bush administration was required to issue a list of the most flagrant trade barriers against U.S. products, and now has 18 months to negotiate the removal of the barriers.

If unsuccessful, it can levy tariffs of up to 100 percent against imports from the offending country. The Bush administration cited India for restrictions on foreign investment and foreign insurance companies.

A Western diplomat close to the trade issue said: "I don't think India will ever respond directly and never before an election. If we write a letter saying we want to discuss these things under 301, their answer will be no."

The diplomat stressed, however, that India was still discussing the issues raised under 301 under the Uruguay round of the General Agreement on Tariffs and Trade, and in other contexts. He expressed hope that talks would continue.

The timing of the U.S. announcement could hardly have been worse for New Delhi, or for U.S.-Indian relations, according to analysts here.

"Rajiv Gandhi has been trying to open up the Indian economy and

now this will give a club to those who oppose him," said a prominent economic journalist.

He commented that the government's hands would be tied because elections have to be held by the end of this year and no Indian politician can afford to be portrayed as bending under pressure from a foreign country, and especially a superpower.

By contrast to the hard-line public stance on 301 negotiations, Mr. Gandhi on Thursday named Karan Singh, a prominent political and intellectual figure, to be India's ambassador in Washington.

Mr. Singh will hold cabinet rank, indicating the importance Mr. Gandhi government places on its relations with the United States.

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Chinese Aide Indicates Zhao Has Been Purged From Party Leadership

By John Burgess

BEIJING — The chief government spokesman appeared to confirm Friday that the leader of the Communist Party, Zhao Ziyang, has been purged and that a replacement would be named soon.

The spokesman, Yuan Mu, said in response to a question about Mr. Zhao that "certain individuals in the top Chinese leadership" were guilty of supporting the democracy movement and that the issue would be dealt with soon.

Mr. Zhao has not been since in public since he met with student demonstrators on May 19.

Chinese Army troops suppressed the protests two weeks ago, killing hundreds and possibly thousands of people.

Mr. Yuan's statement is part of a public relations offensive that the government is using to promote its claim that the army exercised restraint when it entered Beijing on June 3 to end what it calls a rebellion by counter-revolutionaries.

Senior army officers also held a press conference Friday, and reporters were given a tour of Tiananmen Square, which has been off limits since June 4, when the assault started in the pre-dawn hours.

Witnesses have said that troops fired extensively on unarmed demonstrators. The government has said that about 100 civilians died along with a roughly equal number of soldiers and policemen.

Mr. Yuan was interviewed by an NBC News correspondent in the first transmission by satellite out of China in several weeks.

When asked whether Mr. Zhao, a moderate known for a conciliatory posture toward the democracy movement, had been removed as general secretary of the party and whether a replacement had been named, Mr. Yuan said:

"It is true that certain individuals in the top Chinese leadership are guilty of supporting the counter-revolutionaries, of supporting turmoil. Their questions will be dealt with soon and will be made public."

He repeated a claim that has been broadcast repeatedly on Chinese television that no one was killed on Tiananmen Square.

Reporters visiting the square saw squads of workers replacing burned bushes, laying out and cleaning the Monument to the People's Heroes in the center. Heavily armed soldiers stood guard nearby.

Earlier, reporters were briefed in the Great Hall of the People by Li Zhiyun, who is described as a political officer in the 38th Army, one of the units now deployed in the city.

Mr. Li said that army units entering Beijing on the night of June 3 encountered constant provocation from demonstrators, including sniper fire. In some cases, he said, soldiers were beaten to death.

He added that no one had died on the square and denied that army vehicles had rolled over tents the demonstrators had erected on the square, killing the people inside.

At one point, Mr. Li denied that soldiers had ever deliberately fired on demonstrators. But he also suggested that troops had at times shot at "thugs" in response to provocation.

"It is a fact that the army was forced to use violence," he said.

Government television broadcast more reports of arrests of people allegedly involved in the disturbances. The number of detentions was not announced.

Meanwhile, the official media continued attacks on two prominent dissidents, Fang Lizhi and his wife, Li Shixian, who have taken refuge in the U.S. Embassy.

One television broadcast quoted what it described as a letter sent by a student from Beijing University saying that Mr. Fang and his wife had helped coordinate anti-government political activity and had served as advisers to students, helping them select topics for political discussions.

On Thursday, a Shanghai court sentenced three men to death for setting fire to a train during an anti-government riot there June 6.

More than 1,000 people have been arrested since nationwide protests broke out after the crackdown in Beijing.

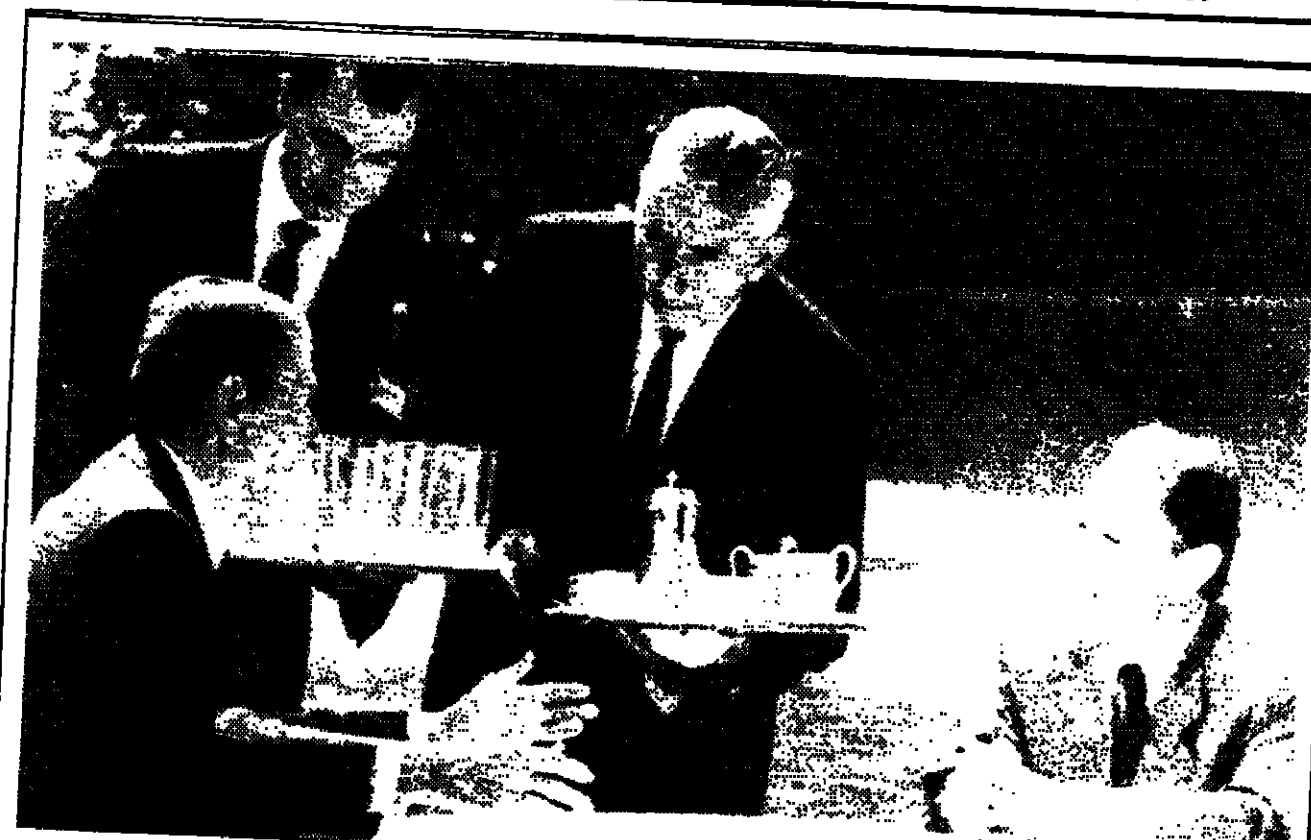
2 Journalists Ordered Out

The Chinese authorities ordered Friday that two British journalists leave the country within 24 hours. The Associated Press reported from London.

The network said that Vernon Mamm, a reporter, and John Elphinstone, a cameraman, had been detained Wednesday while filming the aftermath of the unrest in the western city of Chengdu and had been held under house arrest in their hotel.

Chinese authorities accused them of violating regulations that effectively ban news coverage of the pro-democracy movement and the enforcement of martial law.

On Wednesday, the Chinese authorities ordered the expulsion within 72 hours of two U.S. journalists based in Beijing. They are John E. Pomfret of The Associated Press and Alan W. Pessin of the Voice of America.



Ronald Reagan meeting with Michel Rocard in the garden of the French prime minister's residence, the Hôtel Matignon, on Friday.

A Reagan View of U.S. and Chinese Protesters

The Associated Press

WASHINGTON — Former President Ronald Reagan said Friday that Chinese demonstrators should not be likened to anti-Vietnam War protesters because the Chinese students were "trying to get rid of" the type of government that American students wanted to bring to power.

Mr. Reagan, who was governor of California during anti-war protests, said the U.S. Communist Party played a major role in "those student uprisings" against the U.S. role in Vietnam. Mr. Reagan was interviewed from Paris on the ABC-TV program "Good Morning America."

Asked why he spoke favorably of the Chinese students but had frowned on the anti-war demonstrations in the United States during the 1960s, Mr. Reagan said that "if you really look at what they were trying to change," the American students were trying to bring about "the things that the young people in China are now trying to get rid of."

As governor, Mr. Reagan said he had access to police and other intelligence unavailable to the public.

"We knew the role that the American Communist Party was playing in those student uprisings," Mr. Reagan said. He said members of the party were involved in both pro-war and anti-war demonstrations "in order to keep the disturbances going, to make sure that the trouble continued."

As for the Chinese demonstrators, Mr. Reagan said that the students may have pushed their goals too far but that he believed they had widespread support, especially among their families.

"You have to believe that those families sided with them," Mr. Reagan said. "So they didn't change any of those people's — the Chinese people's — minds about the need for more freedom and more democracy in their system."

CHINA: Suspicion Reigns as Crackdown Revives Old Habits

(Continued from page 1)

ment. "There's nothing we can do," a taxi driver asked. "What can we do? They have guns."

A favorite topic of discussion — strictly among friends — is which of the many past crackdowns most resembles the current one. Many have said it is similar to the one in 1957, when the Communist Party jailed people who had exposed themselves as free thinkers in a campaign that the party itself had organized to promote debate of alternative ideas.

For now at least, the democracy movement is in full retreat. Student leaders are on the run. Army patrols have taken control of Beijing and march through neighborhoods, guns at the ready, in search of

fugitives and "counterrevolutionary" literature.

Each night, state television carries images of what awaits people who do not tow the line. Despairing young men, handcuffed and held tightly on both sides by policemen, are shown in stark interrogation rooms confessing crimes.

For those who have missed the television and radio reports denouncing the democracy movement and its leaders, the government's message gets through in other ways. The leader of a work unit at a Beijing hotel gathered his members in the past week to inform them of what, in the party's opinion, had happened at the square. Soldiers have visited classrooms to deliver the same message to schoolchildren.

Still, many analysts in Beijing say they believe that the government will not try to turn the country back to the mass hysteria and xenophobia of the 1966-76 Cultural Revolution, when Chinese society was in disorder from an unending sequence of demonstrations and counterdemonstrations, personal criticism and counter-criticism. Too many doors have been opened in the meantime to make that possible.

Though Chinese do not have freedom to select their leaders, they do have many personal freedoms Maoist era. They can select their clothes, their friends, their after-hours interests and, to a great degree, their reading material. In former days, these choices had to be

shown to serve some political purpose set by the party.

Moreover, the government appears to recognize that to continue its policy of economic change, on which a decade of successful development is based, China must remain friendly with other countries and maintain an educated class of people.

Thus some Chinese believe that this crackdown and the public sentiments that are generated by it are unlikely to reach the extremes of the past. Despite the pressures some residents have not cut off contact with foreign friends. Others still feel bold enough to stand in line outside embassies to get visas to leave the country.

Now they are waiting to see if their analysis of the new political climate is correct.

A Tight Web of Controls Gathers In Dissidents

Reuters

BEIJING — Fugitive students and workers publicly blamed for inciting the pro-democracy protests appear to be finding little refuge despite China's geographical vastness and the immensity of its population.

Trying to evade Beijing's security dragnet is rendered almost impossible by a web of bureaucratic controls entangling every one of China's 1.1 billion people. For example, many travelers must show identification and even letters of permission from their work unit before being allowed to board long-distance sleeper trains.

All such trains carry armed guards. The police and the militia are empowered to check people's papers anywhere, at any time, so railroad and bus stations present big risks for fugitives.

Hotels and hostels demand identification, and the requirement that coupons be used to pay for meals at all but the most expensive restaurants will add to the difficulties.

There will be tens of thousands of arrests, a party source said Friday. "It is impossible to hide in China."

Security forces throughout the country are under orders to detain anyone who led demonstrations in the last two months, made speeches, shouted slogans, threw stones or sheltered a suspect. Citizens are warned to denounce suspects without fail.

Within 48 hours of the beginning of an intensive search for 21 student leaders and 3 labor union activists, 4 had been arrested.

China's "open-door" image during much of the 1980s has tended to foster memories of earlier, less happier times. In the 1957 anti-rightist campaign and during the 1966-76 Cultural Revolution, no citizen could be sure from one day to the next he would not fall victim to the latest political campaign and be rounded in the early hours of the morning for interrogation.

Faced this month with the stiffest challenge yet to their monopoly of power, China's elderly Communist leaders immediately put back the clock, reactivating the formidable system of internal surveillance they had helped to develop after the 1949 revolution.

The roots of the apparatus of repression go back centuries, to dynasties of despotic emperors who employed a vast network of informers and imposed collective responsibility on families, whole villages and city neighborhoods.

U.S. Warns Businesses

U.S. Embassy officials have advised American business people who left Beijing during the turmoil to stay out of China until further

notice. United Press International reported Friday from Beijing. Executives who are being pressed by Chinese partners to re-

"There will be tens of thousands of arrests. It is impossible to hide in China."

A Communist Party member

turn and resume business still face an unstable situation and could be used for government propaganda, the officials said.

The officials, who asked not to be named, also said they had been advising representatives of American companies to beware if they returned of becoming part of a campaign by the official Chinese news organizations to show that the business climate was stable.

During the last week, government television has shown Japanese and European businessmen who remained in China following the military assault on Beijing.

"The Chinese media are portraying a picture of business as usual," a U.S. official said. "We are advising Americans they may be used in that way. It is not business as usual."

Another official, noting that a State Department advisory against travel to China remained in effect, said, "Our advice is that it's still too dangerous, too unstable to come back."

The authorities have saturated the state-run news media with assurances of China's stability and bombed Western companies with invitations to return and resume business.

"If you say there is a deficiency, then it is that there has not been enough reform and opening up," China's senior leader, Deng Xiaoping, said in a policy speech last week and quoted in part by official news organizations on Friday.

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Hungary Honors a Prophet

A resonant rite occurred in Hungary on Friday when the remains of Imre Nagy and other Communist reformers were moved from a potter's field to the dignity of marked graves. The commemoration was unofficial, but work ceased in Budapest as church bells pealed in a ceremony on national television. Thus, Hungary rebuffed a hero who was reviled and hanged as a traitor on June 16, 1958.

These were Mr. Nagy's final words to his judges: "If my life is needed to prove that not all Communists are enemies of the people, I gladly make the sacrifice. I know that one day there will be another Nagy trial that will rehabilitate me. I also know I will have a rebuttal. I only fear that the funeral oration will be delivered by those who betrayed me."

His fear was understandable, but the rebuttal is the work of the Committee for Historical Justice, led by Miklos Vasarhelyi, a survivor of the Nagy trial that followed the 1956 revolt.

The rite coincides with changes in Hungary's Communist system that are unfettering speech and opening the way to multi-

party elections. These are an outgrowth of the "New Course" program for liberalization put forth by Mr. Nagy as prime minister in 1956. Moscow felt so threatened by the New Course that it sent in tanks.

Mr. Nagy was a Communist who scorned Stalinism as the true enemy. He hoped to reform his Marxist faith, not bury it. In his quest for a socialism with a human face he anticipated Alexander Dubcek and the authors of the doomed Prague Spring of 1968. Imre Nagy certainly would have understood the students in Beijing who sang the workers' hymn, "The Internationale," even as they clamored for what a murderous party leadership decides as "bourgeois liberalism."

After crushing the Nagy regime, Moscow found a willing turncoat, János Kádár, to do its bidding. Mr. Kádár, who held power until last year, eventually softened a harsh system and instituted the economic reforms that led to today's political reforms. But as long as Mr. Kádár ruled it was all but forbidden to utter the name of Imre Nagy. Nobody forgot, as the bells of Budapest attested Friday. May their sound echo in Beijing.

—THE NEW YORK TIMES

Justice in a Changing Wind

Last year the Supreme Court rattled the foundations of modern civil rights law when it decided to re-examine one of its strongest rulings for racial justice. That 1976 decision held that Congress had the intent and the power in 1866 to outlaw private acts of discrimination in fields like housing, private schools and jobs. Now the court, having re-examined, holds that the 1976 decision, in a case called *Rumson v. McCrary*, has proved workable, clear and harmonious "with the prevailing sense of justice in this country."

It is a relief that the Supreme Court has not done more damage. But damage there was, starting with the court's original decision to re-examine. In so doing, it carelessly questioned bedrock rights law, risked its reputation for racial fairness and created the impression that human rights are subject to the winds of political change reflected in the court's membership.

Congress passed strong laws after the Civil War to protect newly freed blacks. Many of those laws, including one that gave them equal rights to make and enforce contracts, were misinterpreted or struck down by the post-Reconstruction Supreme Court. In 1968 and again in 1976, the court held the laws to be alive and constitutional, redeeming one of history's broken promises.

Along came the case of Brenda Patterson, a black woman who invoked one of the old laws in a suit charging racial harassment

by her former employer, a North Carolina credit union. But instead of deciding whether the law covered racial harassment, the court, with the new Justice Anthony Kennedy making a 5-to-4 majority, ordered re-argument and the re-examination.

Justice Kennedy, writing for the court Thursday, skirted the question of whether the *Rumson* case was rightly decided and agreed only that it should not be overturned. But then, speaking for that same 5-to-4 majority, he held that the right to nondiscriminatory contracting did not cover Ms. Patterson's right to be free from racial harassment on the job. As Justice William Brennan argued for the dissenters, that is a pinched view, allowing an employer to foul the workplace with racial slurs, unfair work assignments and mismanagement of promotion requests.

Thus the court has stopped trifling with one civil rights issue but continues to haggle over another. The majority shows no regret for the anxiety it caused while it debated, for a year, what it should have known all along: that *Rumson* "is entirely consistent with our society's deep commitment to the eradication of discrimination based on a person's race or the color of his or her skin."

All this might have been worthwhile had the majority learned more from the re-examination. Instead, though they claim to have affirmed America's "prevailing sense of justice," these justices refused to apply it.

—THE NEW YORK TIMES

Rocky Time in Rocky Flats

To monitor safety violations at the Energy Department's Rocky Flats nuclear weapons plant, the FBI had to resort to a spy plane. A federal agent flew back and forth over the plant in December to collect evidence of illegal venting and dumping of toxic chemicals by another federal agency. It was like an intelligence operation over a foreign country. There could hardly have been a clearer demonstration of the distance at which the nuclear weapons plants, a separate empire within the government, have managed to keep all the normal process of law enforcement.

The Justice Department swept into the plant last week with a search warrant and a team of 70 agents looking for evidence that Energy Department officials there had known for years about dangerous and illegal dumping. This criminal investigation gives a new edge to a question that has been asked for at least a year: How are the energy secretary and the government itself to regain control over a maverick operation that, behind the veil of military security, has come to regard itself as beyond the law?

The extent of the health and safety violations at the nuclear weapons plants has been known for some time. After much prodding from Congress, the Energy Department published in September a list of

environmental hazards generated by the plants. At the top of that list was Rocky Flats and the toxic chemicals that it has allowed to leak into groundwater — from which they may well have migrated into drinking water and into crops being grown nearby. Rocky Flats is not in a remote area. It is 16 miles (25 kilometers) from Denver.

The present energy secretary, Admiral James Watkins, is a far stronger administrator and in every respect a tougher critic than any of his predecessors in the Reagan years. But he does not yet have a reliable grip on the weapons plants. There are some links missing from the chain of command.

While the criminal investigation proceeds, Secretary Watkins not only has to establish his own authority over these plants but to demonstrate it clearly to a country that has increasing reason to be apprehensive. He has to build into the system the kind of safety devices that will work reliably even under a less expedient and more forceful secretary. Although Congress last year established a safety board of outsiders, President Bush still has not made any appointments to it. Putting that oversight board in business is one thing, along with much else, that the administration needs to accomplish quickly.

—THE WASHINGTON POST

Other Comment

A Firm Reminder for China

The West's cultivation of China has rested on its economic and geopolitical power, but on its potential. For politicians China was too large not to woo. For businessmen, a country of 1.2 billion customers, and the world's largest source of cheap labor, was equally hard to resist.

China should now be firmly reminded that it is not yet a superpower, that it is no longer needed to keep the Soviet Union off balance, and that brutality has its costs. Watchfulness over the extent of Soviet influence in Beijing is necessary, but it should not dominate Western policy. It is still not in the West's interest, or that of those seeking democracy in China, to slam the door shut. But there is a strong case for suspending development aid and large credits. There is no longer justification for considering China a safe recipient for high technology transfers.

—The Times (London).

Still a White Man's Court

The U.S. Supreme Court has confirmed that it is still a white man's world in the courts. The tribunal's newly solidified conservative majority has pummeled affirmative action programs that were designed to help women and minorities. This year's rulings seem to prestage a long dry spell for civil rights advocates in the court.

Clearly, the steps by Ronald Reagan and his former attorney general, Edwin Meese, to trim back affirmative action by naming more conservative justices have begun to have an impact. The new majority could hold sway for a long time. Its members are, on average, much younger than the court's three aging liberals.

Minorities and women looking at the results can only hope that, when his turn comes to name judges to the bench, George Bush proves he really meant it about making America a kinder, gentler nation.

—The Denver Post.

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OPINION

What of the 'Guarantees' for Hong Kong?

By William V. Kennedy

WASHINGTON — The proudest boast of Ronald Reagan's presidency was that no country had "gone Communist" on his watch. Yet, all the while, Mr. Reagan's treasured friend, Prime Minister Margaret Thatcher, was in the process of turning over to Communist China more than five million people born or become free in the British crown colony of Hong Kong.

The United States has stood silent as, one by one, the supposed "guarantees" of a special status for Hong Kong after assimilation into China in 1997 disappeared. What do we say now?

The Thatcher attitude toward Hong Kong has been blatantly racist. On the one hand she has insisted that there can be no change in the status of the six Northern Ireland counties in British hands, of Gibraltar and the Falklands so long as a majority in those places opts for union with Britain. Yet, the British loyalists in all of those places retain the option of moving to Britain.

No such escape is open to the population of Hong Kong, for one reason only: The people of Hong Kong are brown. The others are white.

Despite mounting evidence of brutal suppression in Tibet, the U.S. government has been able to assuage its conscience with the notion that there was some shadow of a chance that communism in China was drifting into some sort of social democracy. That any Communist Party, whether in China or in Moscow, is thus going to quietly consign itself to that "dustbin of history" to which the Communists have always sought to consign us is pure wishful thinking.

A new wind of dead winds blows. What awaits the people of Hong Kong and their notion of freedom has been spelled out on every television screen in the non-Communist world.

The shadow that is lengthening over Hong

Kong falls on Taiwan, too, for the people who engineered the massacres of June 4 and 5 can no more tolerate a Taiwan moving steadily toward full democracy than they could the martyred students. That shadow reaches even to Tokyo.

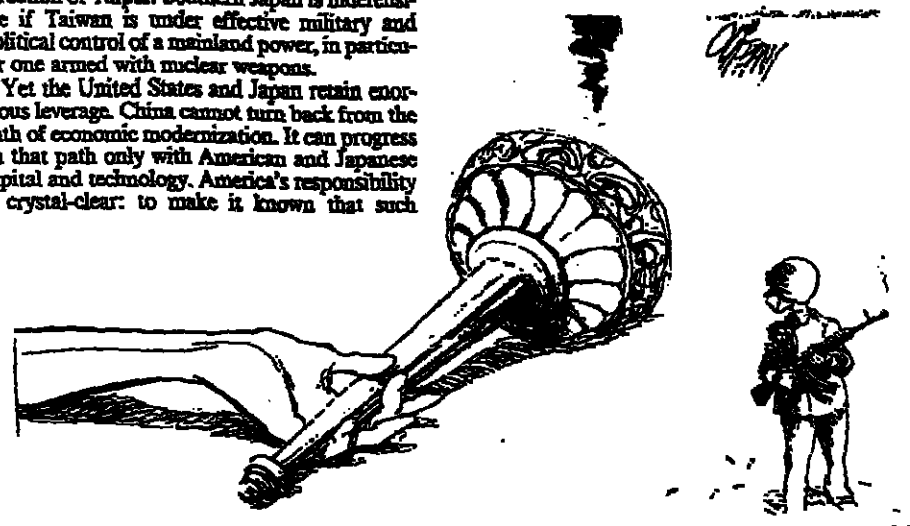
In short, freedom abandoned in Hong Kong is bound to send a shiver down every spine in Taiwan. If the United States will not use its influence to enforce the original "guarantees" of some measure of freedom for Hong Kong residents, what will it do if China, under a desperate, paranoid regime, swings its nuclear arsenal in the direction of Taipei? Southern Japan is indefensible if Taiwan is under effective military and political control of a totalitarian power, in particular one armed with nuclear weapons.

Yet the United States and Japan retain enormous leverage. China cannot turn back from the path of economic modernization. It can progress on that path only with American and Japanese capital and technology. America's responsibility is crystal-clear: to make it known that such

investment is at an end unless the special status promised Hong Kong is given substance by the grant of political and economic autonomy to Hong Kong, based on universal suffrage translated into a local parliament and a constitution that guarantees basic human rights.

The stakes in Hong Kong relate to the stability of the entire Pacific Basin and much of the Asian mainland. An undue regard for Mrs. Thatcher's feelings must not deter America now.

The writer, a former U.S. Army War College strategic analyst specializing in Northeast Asia, contributed this comment to The Washington Post.



A Grand Strategy in the Struggle for Peace

By Zbigniew Brzezinski

This is the second of two articles.

WASHINGTON — I judge from comments President Bush made to me that he is genuinely interested in Eastern Europe — more so than any previous president — and he has wisely rejected the advice that he should seek a Yalta-type agreement with the Kremlin regarding the future of the region. But he also must consider the fact that the transition from communism has not yet taken any country into genuine democracy.

Poland is the furthest along. But a sudden deterioration of its internal economic situation, which could hap-

pen this year, probably would precipitate a wave of unrest. Reactionary repression by the remnants of the Communist elite could then occur, setting back the forces of change.

So President Bush's trip next month to Poland and Hungary will be extraordinarily important. Having spoken so eloquently of ending the division in Europe, he now must define specifically what he meant. He should address both the longer-range issue of how to restore the traditional links of East-Central Europe to the rest of Europe, and the more immediate issue of how to avert a possible internal crisis brought on by the catastrophic economic situation.

March will depend on the strength of his determination to shape tangible opportunities for economic and political reforms in the region. He should propose that this issue be a major topic for discussion at the economic summit meeting next month.

He also should press for a consortium supported by the United States, Europe and Japan to provide prompt, short-term aid to Poland and Hungary as they undertake political and economic reforms. A visit to the United States by General Wojciech Jaruzelski (in addition to the planned visit by Lech Walesa) would be appropriate as part of the effort to commit the leaders to peaceful change based on compromise.

The events in China are so volatile that any prediction is a gamble and any advocacy of a specific policy premature. But the long-run U.S. interest clearly is that China be open to the world, increasingly pluralistic in its socioeconomic and political sys-

tem, and geopolitically friendly to America. The United States must firmly register its determination to be helpful only to a Chinese government that shows respect for its people and that realizes that genuine modernization cannot be based on repression.

In the longer run, it is most unlikely that there will be a highly repressive Chinese government could for long isolate China from the world. Isolation would mean the abandonment of any

more specifically the international benefits to China that will flow from the eventual victory of the forces of moderation and pluralism.

These momentous opportunities inherent in the final stages of communism should not divert the president's attention from the affairs of the Middle East. Ayatollah Khomeini's death will usher in a phase of intense instability in Iran as factions as various forces contend for power. But, in the long run, it is likely that the more moderate forces will prevail, especially if quietly helped from the outside. Eventually, Iran will find its balance, and a progressive restoration of a more normal relationship with America should then occur.

Such a development should help in stabilizing Southwest Asia. A restoration of a normal, if not close, U.S.-Iranian relationship, should also favor the emergence of a truly neutral Afghanistan, serving again as a buffer between the Soviet Union and Pakistan. A U.S.-Soviet accommodation, guaranteeing Afghanistan's neutrality, could formalize this process.

The emergence of the U.S.-P.L.O. dialogue similarly offers challenge and opportunity. The challenge might involve a phase of difficulties in relations with Israel. Fortunately, the more moderate elements in Israel real-

ize that an accommodation with the Palestinian nation is necessary. Increasingly, the Israelis are coming around to a grudging acceptance of negotiations even with the P.L.O. Before long, the United States will have to sponsor such negotiations, nudging both parties to the table.

On all these issues, Mr. Bush would be well advised to consult closely with Western Europe and Japan and offset inevitable rivalries with them. In the end, they will recognize the United States as a catalyst of world order; they would respond to a constructive U.S. policy designed to terminate some of the major conflicts besetting the world.

In the 1960s, the Jean Monnet Action Committee urged that a high-level Committee of Experts be established between Europe and America to shape common policies on major trans-Atlantic and East-West issues facing the West. The scope of that bold strategic concept should now be extended to the Pacific. Mr. Bush, well aware of the new centrality of Japan, might consider embracing that proposal as the foundation of America's larger architecture of peace.

The writer was national security adviser to President Jimmy Carter and is author of "The Grand Failure: The Birth and Death of Communism in the Twentieth Century." He contributed this comment to The Washington Post.

Maritime Diplomacy: Opportunity for Hanoi

By Mark J. Valencia

HANOI — With negotiations on a political settlement of the Cambodian conflict under way, the conflict potential in Southeast Asia is moving seaward. Maritime disputes in the South China Sea could become the region's next flash point unless the countries involved put peace and pragmatism ahead of inflexible insistence on sovereignty.

Vietnam, China and Taiwan maintain rival claims to the Parcel Islands in the South China Sea, which Chinese forces seized in 1974 from Vietnamese troops. The same three nations, along with Malaysia and the Philippines, have claims to the Spratly Islands, south of the Parcel Islands. All five claims have armed garrisons on some of the atolls. The Parcel and Spratly straddle busy shipping lanes, and each island group

controls fishing grounds and prospective oil and natural gas under the sea.

The South China Sea offers Hanoi, in particular, an opportunity to engage in creative diplomacy. The resolution of many of the region's maritime issues must involve Vietnam. As well as asserting jurisdiction over the Parcel Islands and Spratly, Hanoi has overlapping maritime claims with China in the Gulf of Tonkin, with Indonesia north of the Natuna Islands, and with Malaysia in the Gulf of Thailand.

Sending maritime boundaries by peaceful negotiations would be a signal of Hanoi's genuine desire to rejoin the community of nations, as President Bush might put it. Vietnam wants to press ahead with rapid ex-

ploration and development of its offshore oil and natural gas to support industrialization and reduce its energy dependence on the Soviet Union. But as long as maritime boundaries remain in dispute, foreign oil companies will be reluctant to participate.

Solutions could include joint development by Vietnam of some overlapping areas, for example with Indonesia or Cambodia. Joint fishery ventures with Thailand and other countries would promote political trust. Vietnam could help Cambodia manage and develop its fisheries and offshore petroleum potential, perhaps in conjunction with Thailand.

Modification of Vietnamese laws to conform with the international Law of the Sea convention would help set the stage for a lessening of regional tensions. Hanoi could, for example, relax severe restrictions on entry of foreign military vessels into a zone that extends 24 nautical miles from its coast — twice the outer limit set by the Law of the Sea.

Negotiations on the Spratlys could aim to set up a condominium for managing the area jointly and sharing its resources. On the Spratlys could become part of a neutral zone.

Vietnam was the first country in the region to claim an exclusive economic zone extending 200 nautical miles from its coast. Hanoi now has an opportunity to turn the potential for conflict into cooperation.

The writer, a research associate at the East-West Center in Honolulu, visited Hanoi for talks with experts on maritime affairs. He contributed this to the International Herald Tribune.

For Harlem's Babies, Three Plagues

By A. M. Rosenthal

NEW YORK — All the babies are dying.

This is the AIDS virus for babies and it is all dying.

The doctor walks to two of the cribs. She reads from the chart — a boy of 6 months, a girl of 3 years. She says they are brother and sister.

But how can that be? The mother had one AIDS baby and then went and had another? Didn't she know she had the virus and would most likely have another AIDS baby?

Dr. Margaret Heagarty, chief of pediatrics at Harlem Hospital, says yes, the mother was told she would have a 50 to 70 percent chance of having another AIDS baby.

Then she looks coolly at the visitor and says: "Around here, most people live their lives with worse odds than that."

At Harlem Hospital, it is pretty easy to see that the worst odds in the neighborhood are being handed out to the kids.

The grown-ups — well, you can tell yourself they should not have been promiscuous, or had so many babies, or become addicts, or become involved in violence.

Say what you wish. But then what do you say about the children? They are the new victims of three plagues they were never given a chance to avoid.

Not far from the room where the AIDS babies are dying, the crack babies are struggling to live.

They are tiny things, and it seems impossible they can ever grow. The loving attention they get from the nurses of Harlem Hospital sometimes is just not enough to overcome premature birth — the gift of the crack mother to

her baby — and so they die. Those who survive a year or two may have a chance to grow up normally — medically speaking, that is. There are not enough statistics yet to say whether premature birth is the only danger to these children or if time will uncover others.

AIDS and drugs are two of the new diseases of childhood. There was a time when Harlem Hospital could predict that every weekend the emergency rooms would be particularly crowded with wounded patients. They started to drink on Friday night and were gunshot by Saturday night — a burglary or a quarrel that ended in somebody pulling a gun.

Crack addicts get violent every day. There is no quiet day now in the trauma rooms.

Many of the patients rushed in with bullet wounds become the problems of a particular group of doctors. Some of these patients are drug runners. Others were just hanging out on streets where a loud noise is never a car backfiring. They have one thing in common — they are under 16. So they become the responsibility of members of the pediatric department.

"I am running a MASH unit here," says Dr. Heagarty.

Dr. Heagarty's children are first among the 25,000 patients for whom Harlem Hospital found a bed last year.

The same year, the hospital took care of 93,000 others in need of emergency care and recorded almost 800,000 visits to its clinics.

What the figures say is that Harlem, a municipal hospital, has become not only a doctor to the community but, for hundreds of thousands of New Yorkers, the only doctor. The same thing is happening to some of the "voluntary" hospitals that depend on philanthropy.

Columbia Presbyterian, a couple of miles uptown from Harlem, is the prestigious hospital of Columbia University's College of Physicians and Surgeons.

It has become the doctor to the people of Washington Heights, providing more community medical service than any hospital in the city.

People who use hospitals outside the ghettos figure they will always be taken care of. After all, they have insurance, a little money, and personal doctors attached to the hospital staff. They find out differently soon enough — when they have to wait days for a bed or sit for hours in an emergency room chair. Sooner or later, they all find out the hospital problem is trickling up.

Meanwhile, the hospitals need help — money — from the citizens. Private hospitals like Columbia Presbyterian need benefactors; the city does not meet the budget.

Harlem Hospital could use benefactors too. Municipal support is never enough for staff training and special programs to help patients.

So on its 100th anniversary in 1987 Harlem Hospital started its first endowment fund. The goal is to raise \$1 million a year for 10 years and use the interest.

Since then, Harlem Hospital has been able to raise a total of \$300,000. Each year, 15 percent of the goal, no more.

The New York Times.

Reasons Not To Raze the Berlin Wall

By M. Steven Fish

PALO ALTO, California — Mikhail Gorbachev's visit to West Germany is sure to lead strength to calls for the destruction of that enduring symbol of the Cold War: the Berlin Wall.

With Soviet and West German officials speaking broadly of "healing the wounds of the past," the wall seems to many to be increasingly anachronistic. In truth, it has played an important role in preserving the peace, and continues to do so. Tearing it down could actually backfire, giving conservative elements an issue to use against Mr. Gorbachev and his fellow reformers.

Condemning the wall is easy and safe: No one likes it, least of all its East German and Soviet creators, for whom it stands as a symbol of failure and impotence. All presidents since John F. Kennedy have denounced the wall and called for its destruction. Regrettably, George Bush recently joined their ranks.

The wall was born of a crisis that brought the world to the brink of nuclear war. In August 1961, Nikita Khrushchev ordered it to stop a flood of refugees to the West that had already deprived East Germany of a large number of its most productive and best educated citizens.

Though the world reacted with outrage, the wall actually defused the Berlin crisis and cooled permanently what had been one of the Cold War's most dangerous flash points. Most historians agree that Mr. Kennedy, despite his vigorous public condemnation of Mr. Khrushchev's play, was aware of its utility.

If the wall were dismantled tomorrow, what consequences would follow? No one can say, but one can be fairly certain that the flow of refugees would begin anew — not at the levels of 1961, but at a steady, and perhaps growing, rate. And again the brain drain would be intolerable for East Germany. Surely, not all East Germans long to live in the West. But anyone who has spent time in both Germany knows that many do — for very good reasons. By comparison with its prosperous and bustling Western neighbor, the German Democratic Republic seems dark, oppressive and poor.

How would West Berlin and the Federal Republic cope with the inflow of refugees? How would a country that has already sent home thousands of guest workers provide for and assimilate an influx of people who have grown up in a system in which employment is regarded as a fundamental right?

The answer is by no means clear, particularly given the difficulties that some refugees who have escaped from East Germany have experienced adjusting to life in the West. What would the United States do to help alleviate the strains that the inflow would create in West Germany?

The resumption of a free flow of humanity westward and West German goods and ideas eastward would resurrect enormous political problems for East Germany. It would produce fresh political tensions between the Germans at a time when a gradual, controlled thaw is already making possible an unprecedented expansion of personal contacts between West and East Germans.

The wall will fall one day. But its demolition will never serve as a cause or prerequisite of the Cold War's demise, as an indication of liberalization in the Communist world or as a sign of Soviet good faith. Rather, its demolition will occur as the product of tortuous processes of liberalization in the East and political and military rapprochement between East and West, as the final chapter in the histories of Stalinism and the Cold War.

The end of the division of Berlin, and of Europe, may well be inevitable. But the timing of these developments — whether they come in 20 or 200 years — depends in part on the quality of U.S. leadership: on the patience, toughness and humility America brings to its diplomacy.

Gloating over the upheavals and changes transforming the Communist world only serves to weaken East-bloc proponents of reform.

The writer, a doctoral candidate in political science at Stanford University, contributed this to The New York Times.

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100, 75 AND 50 YEARS AGO

1889: Opening the Congo

NEW YORK — \$4,250,000 has been subscribed to build a railway between the Lower Falls on the Congo River and Stanley Pool. How much more will be needed is not known on this side of the Atlantic, but information relating to the plans for the opening of the Congo country will soon be in the possession of Col. P. Huntington, the President of Southern Pacific Railway. Surveys of the route have been made and the length of the proposed line will be 262 miles.

1914: Wilson on the Flag

WASHINGTON — Monday [June 15] being Flag Day, Mr. Wilson made a public speech from a platform near the White House. He said: "I sometimes wonder why men take this flag and flaunt it. If I am respected, if I do not have to demand respect; if I am feared, if I do not have to ask for fear; if my power is known, if



RETURN TO NAMIBIA — A Finnish member of the United Nations peacekeeping force in Namibia inspecting the documents of two Namibians returning to the territory. The Namibians had left to join rebels of the South-West Africa People's Organization. On Friday, a UN official said technical problems with aircraft were largely to blame for delays in returning Namibian refugees from Angola and Zambia to their homeland to take part in elections that are to lead to independence. Campaigning is to begin July 1.

Black Students Mark Soweto Uprising

By Jane Perlez
New York Times Service

SOWETO, South Africa — In the gravel schoolyard at Lamula Jubilee High School, several hundred students congregated outside one of their classrooms, which like all the others had no glass in the windows, no chairs inside, no work light fixtures and only a few desks haphazardly scattered around.

The gathered to remember the uprising that began in Soweto on June 3, 1976, when black students protested against a requirement that their lessons be taught in Afrikaans.

The ensuing riots, in which at least 575 people, many of them students, were killed, remains the starkest landmark in the annals of South African racial conflict.

Within a month after the 1976 riot, the government announced the black schools could choose the language of instruction: Afrikaans, English or a combination of the two.

Under the current emergency decree, the political gathering in the schoolyard was illegal, and the chief speaker was a 20-year-old student who had been detained for six months without charges and was

under a restriction order that prohibited her from addressing a crowd.

There were police officers nearby, the students said, but that did not deter them from singing freedom songs, chanting and dancing.

"If it had not been for them we would have been learning in Afrikaans," said the student leader about her predecessors of 1976. "They died for a cause. Let it not fade in our minds."

The student leader, dressed in a short, black, pleated school uniform, told her classmates that even though Afrikaans was no longer the required language of learning for black students, things had not improved much.

"Everything of ours is in tatters," she said, facing an abandoned block of six classrooms where an entire wall was torn out by vandals four years ago and left unrepaired. The education of black students, administered by a white-run Department of Education and Training, remains a source of great resentment and grievance in the townships.

The anger at government education policies has been compounded under the emergency decree when high school student leaders — like the one who addressed the crowd at

Lamula — have been detained. Two Lamula students who came late to the impromptu rally, said afterward that they had been held without charges for up to six months.

Tens of thousands of blacks boycotted work Friday in observance of the 13th anniversary of the uprising, prompting many businesses to shut down voluntarily despite the government's refusal to declare an official holiday. United Press International reported from Johannesburg. A police spokesman in Pretoria said land mines had exploded in scattered incidents of unrest nationwide but described them as minor with no casualties.

Transport officials reported black ridership on trains into the city was down by as much as 99 percent on some lines, leaving the downtown unusually quiet for a normal working day. Most minibuses carrying blacks into the city did not run Friday.

In the years after the Soweto uprising, the government started to put money into building schools for black students. But black teachers remained poorly trained, and the construction hardly kept up with the demand.

Unlike education for white students, schooling for blacks has never

been made compulsory. In 1987, the South African Institute of Race Relations estimated that one million black children between 7 and 16 years old did not attend school.

Despite a government pledge three years ago to equalize the standards of education between blacks and whites in 10 years, spending on education remains lopsided.

According to government figures, education for the nearly one million white students in the last financial year was \$1.4 billion and the spending for five million black students was \$1.05 billion.

In April, Education Minister Frederik W. de Klerk, the new leader of the National Party, said budgetary considerations dictated a slowdown in education spending.

At Lamula, one of 62 high schools in Soweto, a science teacher said he had to cope with textbooks as many as 73 students. Textbooks had not been distributed at the school for three years, he said. Last year's results showed that of the enrollment of 1,000 students, 12 seniors out of 66 graduated.

"The students are demotivated; the teachers are demotivated," another teacher said. "There is no heat, so when it gets cold the students take the chairs outside the classroom to bask in the sun."

DEATH NOTICE

On the 14th of June the last religious rites were given for the honored industrialist Cavaliere del Lavoro

MEMORIAL NOTICE

His son Riccardo, nephews Corrado and Giovanni, and daughter-in-law Monica announce his premature departure. The funeral will take place Saturday June 17th at 3:45 p.m. with the funeral procession beginning at the Church of Santa Maria Assunta di Gallarate. Cuccini Costa, June 15th, 1989.

MEMORIAL NOTICE

His family and friends will join in a ceremony of remembrance at 3:15 p.m. June 19th at the crematorium at Père-Lachaise Cemetery, Paris.

Honor Tracy, English Satirist, Dies

New York Times Service

Honor Tracy, 75, a travel writer, columnist and novelist who satirized Irish and English society, died Tuesday in a nursing home in Oxford, England.

Miss Tracy was born and educated in England and lived much of her life in rural Ireland. The best of her novels were hailed by reviewers for wittily dissecting the postures in which people allow themselves to be immersed.

She reveled in lampooning pretension, snobbery and intellectual muddles.

Reviewers and readers repeatedly praised Miss Tracy's incisive travel accounts, particularly those from Japan, Spain and the West Indies, and her columns in The

Sunday Times of London, The Daily Telegraph and other papers.

Other Deaths:

Rabbi Isaac Jacob Weiss, 88, who led the ultra-Orthodox community of Ashkenazi Jews as well as the rabbinical court in Jerusalem, of a heart attack Wednesday in Jerusalem.

Cardinal Joseph-Albert Malula, 72, the archbishop of Kinshasa, Zaire, and a pioneer of specifically African church rites, after a long illness Wednesday in the Belgian city of Louvain.

Jo Noerlund, 71, the best-known elder statesman of the Danish Communist Party and a former member of parliament, a party spokesman in Copenhagen said Wednesday.

Wei Guoqing, 76, vice chairman of the standing committee of the seventh National People's Congress, Wednesday in Beijing.

Corrado Augusta, 66, former chairman of Gruppo Augusta SpA, one of Europe's leading helicopter manufacturers, at an undisclosed location in Switzerland, the company said Thursday.

Victor French, 54, the American television actor and director best known for his roles in "Highway to Heaven" and "Little House on the Prairie," of lung cancer Thursday in Los Angeles.

Ray McAnally, 63, the Irish actor whose 40-year career won him a many awards and who gained international recognition in the film "The Mission," at his home in Ireland on Thursday.

ACROSS

- 1 Dade City's county
- 6 Long time
- 10 Plaudits
- 15 Fence's take
- 19 Certain voices
- 20 — in Shaanah
- 21 Pine product
- 22 Strauss's "Die Frau —"
- 23 Drying places
- 24 Berlin product
- 25 Out of the way
- 26 Pedestal section
- 27 "Officious"
- 31 Actor Danson
- 32 Prevent a falcon from seeing
- 33 Brachium's locale
- 34 Noon has two
- 35 Last exit
- 37 Abner's adjective
- 38 Soleist's contraction
- 41 Caboodle's mate
- 44 N.Y. Phil. output
- 45 "Armageddon —"
- 51 Pollen distributor
- 53 Tokyo, once predecessor
- 54 February
- 56 The McCoy
- 58 An Amaz

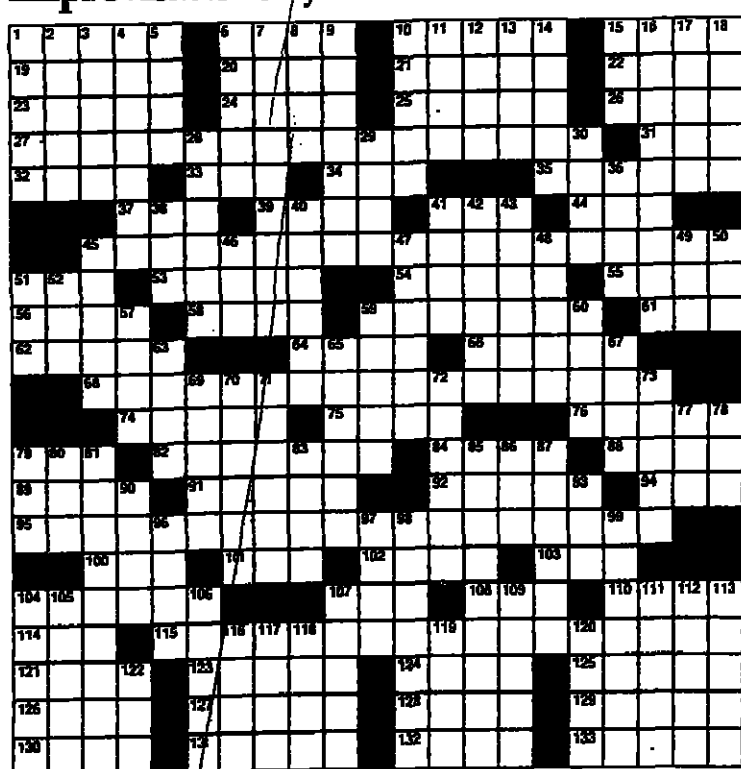
ACROSS

- 59 Confrate ones
- 61 Cynology units
- 62 Mozart's object of worship
- 64 Knish emporium
- 66 Respite of a sort
- 68 "Humus —"
- 74 One of the bucket
- 75 Equal in Metz
- 76 Gunwale plus
- 79 Yard for Johann
- 82 Uncharged particle
- 84 Nautical raptors
- 88 Cameo's stone
- 89 Family name in baseball
- 91 Au revoir's kin
- 92 Bright signs
- 94 Aberdeen's river
- 95 "Universe"
- 100 Air: Comb. form
- 101 Choo-choo has four
- 102 Bartlett or Seckel
- 103 Churchill's letter
- 104 Islam's second
- 107 "Eureka!"
- 108 Copy
- 110 — Combeau, Quebec town
- 114 Sideburn's neighbor

DOWN

- 1 Actress from Greece
- 2 White Rabbit follower
- 3 Cubic meter
- 4 Dramatic tenor Franco
- 5 Tasmania's top peak
- 6 Pianist Schenkel
- 7 Dom DeLuise et al.
- 8 Theon's cousin
- 9 Dresser's " — to the City"
- 10 Kindergarten pests
- 11 Hebrew R
- 12 Book by poet Ciardi
- 13 Word in a Caesar report
- 14 Upright
- 15 Earth layer
- 16 "Ament —"
- 17 Like Tullia's milieu
- 18 Crystal-lined stone
- 28 Blabbed
- 29 Iscan sun god
- 30 Kind of pro
- 36 Dog-show crusher
- 28 Alford
- 40 "The Fourposter" as a 1965 musical

Improvisations By Louis Baron



© New York Times, edited by Eugene Maletsky.

DOWN

- 41 Lotolike game
- 42 Trav. papers, e.g.
- 43 Matador
- 45 Marx's maitre
- 46 "The Sultan of Sulu" playwright
- 47 Eyeball section
- 48 Tribunal
- 49 K-O hookup
- 50 Where cows browse
- 51 Lingerie item
- 52 Relative of a wrymouth
- 57 Off schedule

DOWN

- 59 Make parallel
- 60 Bamba's tail
- 63 Cape or Trader
- 65 Make do with
- 67 Say the same
- 69 Joyous hymn
- 70 Aetler
- 71 Lacerate
- 72 Farrier or Jackson
- 73 Wayne film: 1953
- 77 Cleaning substance
- 78 Somersetshire river
- 79 Gen. Arnold
- 80 Violinist Bull
- 81 "Macon Lencut"

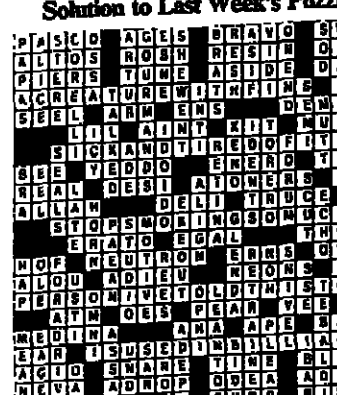
DOWN

- 83 Dakota Indians
- 85 Worked out for a new bout
- 86 Japanese drama
- 87 White
- 90 — nad Labem, Czech city
- 93 Reno-to-Las Vegas dir.
- 96 Bus or potent precursor
- 98 Snake: Comb. form
- 99 Sloped sheds
- 99 Soprano
- 104 Intended

DOWN

- 105 Gung-ho
- 106 Shalung's state
- 107 Skilled one
- 109 An anagram for sepal
- 111 Forster's " — with a View"
- 112 " — do all city"
- 113 Creator of the Moffat
- 116 Cancel
- 117 Patola, e.g.
- 118 Psyche's love
- 119 Singer Sayao
- 122 Acorn that made it

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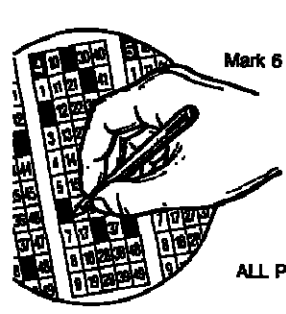
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ARTS / LEISURE

René Gruau and the Chic Image



René Gruau: A style that "came to me all at once like a sneeze."

International Herald Tribune
PARIS — Two colors and three brush strokes fill in the latest design by René Gruau — a crescent of black hair encircling scarlet lips. It makes a striking and instantly identifiable poster for an exhibition of illustrations by an artist whose career spans 40 years. Those hot red lips have been a Gruau signature ever since he de-

SUZY MENKES

signed the advertisements for the lipstick Rouge Baiser — the scarlet kiss — in 1949; an elegant head, blindfolded eyes, and kissable mouth.

The economy of Gruau's work is its strength. He started designing in 1928, four years after he left his native Italy and moved to Paris with his French mother. He worked for fashion magazines when the drawing still lorded it over the photograph. He became friend and host to the young couturiers Jacques Fath, Christian Dior and Pierre Balmain.

He flowered in the 1950s. Gruau's greatest work and his most fruitful relationship was with Dior. "Dior and I had a real friendship," said the artist. "We shared the same tastes and we respected each other's work. He liked my drawings, and I loved his clothes."

The graphic publicity images Gruau invented for Dior fragrances have become totems of Pa-

risian chic: a boudoir pink Louis XVI chair with a pair of white kid gloves and a whisper of black tulle; or a woman's hand stretching luxuriantly over a leopard's paw. These drawings, said Gruau, were discussed, argued over and invented during dinner with the epicurean Dior.

Recognizing this debt to its finest image maker, Christian Dior Parfums has sponsored the exhibition at the Palais Galliera fashion museum. The Dior clan, with its chairman, Bernard Arnault, threw a party for 80-year-old Gruau Monday night — an occasion that drew a stellar array of Paris designers from Hubert de Givenchy (whose first collection, in 1952, Gruau drew), to Balmain's Erik Mortensen, Madame Carven, Karl Lagerfeld, the embroiderer François Lesage, Christian Lacroix and Claude Montana.

"I started in fashion because of Gruau," Lagerfeld said. "He designed the poster for the International Wool competition which Yves Saint Laurent and I entered." This particular fragment of history is a poster showing a velvet sweep of gown below a perky cocktail hat. Gruau worked with many different fashion houses. Balmain's image was shaped in the 1940s and '50s, when the artist conveyed not just the swish of a peach taffeta ball dress below a social smile, but an entire fashion universe. A few lines of black pencil catch a model in the



Claude Montana



Gruau's design for the first cover of the magazine Club ad, above, drawing for the Rouge Baiser advertisement, both done in 1949.

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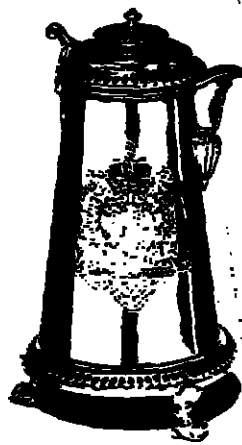
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Domingo Delivers 'Trovatore' Straight

By Henry Pleasants

LONDON — To B or not to B? Plácido Domingo's answer to the Royal Opera's new production of Verdi's "Il Trovatore" at Covent Garden is an emphatic "not to B," and with it he has made operatic history of a kind.

The question has to do with the traditionally interpolated high C's in Manrico's stirring "Di quella pira" (the horrendous blaze of that pyre) summoning his followers to a rescue operation when he learns that Azucena, the gypsy he assumes to be his mother, is about to be burned at the stake.

Verdi didn't write them, but they were introduced, so oral tradition has it, by Enrico Tamburini (1820-89) shortly after the Rome premiere in 1853. As the story goes, he tried them out in provincial performances with sensational results, then asked for Verdi's approval. The composer is said to have replied: "Far be it from me to deny the public its pleasures. Go ahead, but the C's had better be good!" Or words to that effect.

Since then, no Manrico in my experience — or anyone else's, as far as I know — has dared to leave them out. The problem has been that not many tenors have a secure, let alone ringing, high C. It has been solved, very simply, by having the whole piece transposed down a semitone. Thus, those high C's have been, more often than not, high B's. Few in any audience will know the difference.

Domingo's decision to tempt fate and risk a boozing was prompted, according to his own account at a press conference, by fidelity to the score. He has never been a high C tenor, and rather than seek refuge and security in a downward transposition, he would omit the interpolated high notes and sing the piece as written, which takes the tenor up to an A.

There are the skeptics and the uncharitable in the opera world, inevitably, who will have interpreted Domingo's fidelity to the score as having been dictated more by

concern for the security of his own high B than by reverence for the Verdi script.

In the event, he got away with it. His "Di quella pira," not only sung as written in C, but also including a usually omitted second strophe, was the high point of an otherwise rather dispiriting production. There were no boos, it also drew "bravos." But I would advise against his trying it in Italy.

It used to be said of "Il Trovatore" that all you need to bring it off is the world's four greatest singers. It might have been added that, ideally, those singers would be Italian. There are no Italians here, and Domingo, a Spaniard, is the only Latin. And it shows.

Eva Randova, a Czech, is a fine artist but her voice lacks the opulence and the dark chest tones that one expects from an Azucena. It is much the same with Sergei Leiferkus, a Russian, whose splendid baritone has none of the rounded quality one remembers from great Italian Conte di Luna. Rosalind Plowright, British, should not be singing Leonora. The Dutchman Bernard Haitink is the conductor.

The only Italian involved is Piero Feggoni, the stage director, here launching a projected cycle of Verdi's "Spanish" operas, i.e. operas set in Spain: "Il Trovatore," "Ernani," "La Forza del Destino" and "Don Carlo." He is also his own designer and lighting director.

What he has come up with is a single set, a mountainous amphitheater of volcanic rock molded from fiberglass, ideal, one immediately thinks, for the Act 3 mountain hideaway of the smugglers in "Carmen," and even for the gypsy encampment in "Il Trovatore," but utterly inappropriate for the latter's castles, garden and prison.

It has the further disadvantage of dwarfing the principals and inhibiting their movements, while the prevailing darkness obscured their features. This is a Spain upon which the sun never rises. The set is destined to serve for the subsequent productions in this cycle. A gloomy prospect.

Mexican Art Returned

The Associated Press

MEXICO CITY — More than 100 jade, gold and stone artifacts stolen 3½ years ago were returned to the National Archaeology Museum this week in a ceremony at which Mexico's leader welcomed the nation's "recovered inheritance."

President Carlos Salinas de Gortari told members of his cabinet and foreign diplomats at the museum that finding the lost treasure amounts to recovering "a part of our identity, a part of our pride." Officials said a pair of college dropouts linked to cocaine dealers looted seven display cases at the museum before dawn on Dec. 25,

1985. Federal police recovered 111 of the 124 stolen items and arrested a suspected thief and six associates last week. They were charged in court Monday with theft and damaging national treasures, authorities said.

The loot, dating from 2,500 B.C. to 500 B.C., included masks, jewelry and other artifacts from Mexico's ancient Aztec, Mixteca, Maya and Zapotec civilizations. One of the most important pieces, a restored Zapotec mask of the bat-god Murciélagos from the Monte Alban ruins in southern Mexico, had come apart and had to be repaired, Attorney General Enrique Alvarez Del Castillo said.

ARTS / LEISURE

Auction Records, Private Echoes

International Herald Tribune
LONDON — The current art market inflation, echoed in well publicized auction records, has a hidden side. What has been going on behind closed doors in the dealer's world for the last few months is even more significant.

This applies across the board, including the kind of picture that has figured prominently in recent auction house activity. The dealing

SOURIN MELIKIAN

community is buzzing with reports that a prominent art owner who spends her time between New York and Buenos Aires, Amalia Lacoste de Fortabat, sold a van Gogh and a Gauguin to a Japanese buyer, each for more than \$40 million. In so doing, it is said, she has paid for the entire collection she built up over the years.

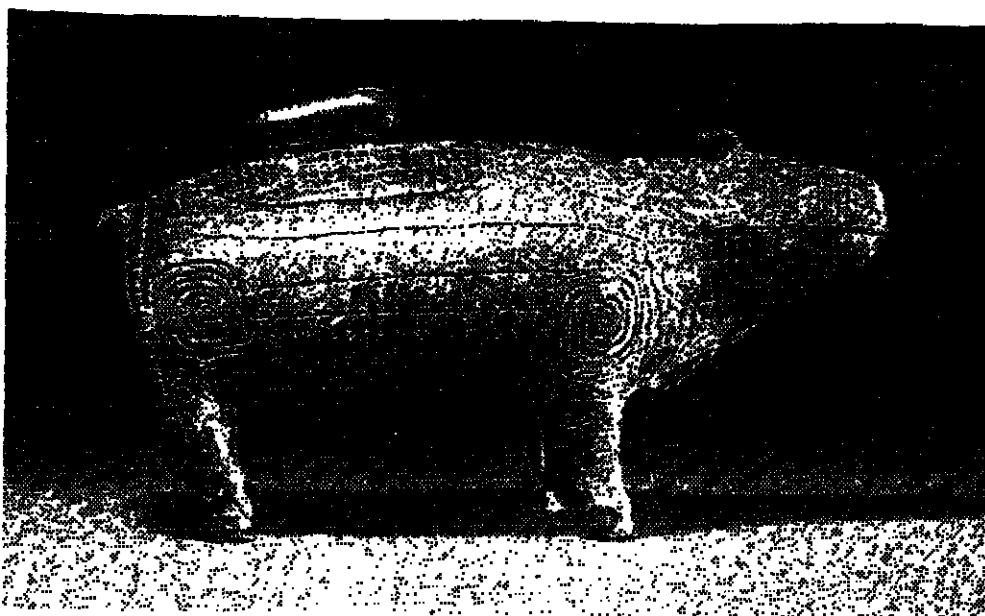
This illustrates a very specific aspect of the inflationary process — private players turning into semi-professionals, taking their profit and feeding it back into the market. They do it essentially by using the trade. A spectacular example was provided last fall by the Jaime Ortiz Padilla sale in New York. The Impressionist paintings, with the exception of an inherited Renoir portrait, were bought over a few years on the advice of Julian Agnew, a towering figure in the picture business best known for his activity in Old Masters. Agnew's is the leading power in the field on the London scene.

The Cézanne still life was bought in 1986, the Zaanand landscape by Monet and the Fantin-Latour in 1987. They came from one of the best galleries in the world, Lefevre of London, run by Martin Summers and Desmond Corcoran. Ortiz is now back in the market going after Old Masters, an old love of his — and getting them essentially from the trade by far the best source of supply. The man behind it all? Julian Agnew of Agnew's.

A little known aspect of the dealer's activity takes the form of brokerage — arranging deals between private seller and private buyer in conditions of secrecy that auction houses can never quite match (you deal with only one man, not a whole organization) and on very low commissions. By definition, little ever comes out about such transactions.

A good example is a negotiation over a Gauguin now under way. The European vendor's starting point is \$50 million and a Japanese buyer is thinking in terms of \$40 million. A source close to the transaction says it should go through within the next few weeks. If so, it will add to the long list of unpublished world records.

These can be observed with luck and patience — all the way down the financial scale. At the Grosvenor House fair, which opened to the public on Thursday, Agnew's made its first appearance ever with a contingent of good decorative paintings. Among these is an oval sketch on paper laid on canvas, "The Apotheosis of Aeneas" by François Boucher. The small work, only 24.5 by 34 centimeters (about 9 1/2 by 13 1/2 inches), done in shades of brown, was intended as a study for a ceiling. It was sold during the private viewing on Wednesday, "in the area of £200,000," Julian Agnew said. That easily makes it a world record for a small decorative Boucher.



This Chinese 14th-century bronze animal vessel was resold privately for more than \$3 million.

Indeed, fairs such as these are increasingly becoming a major weapon in the counteroffensive by the trade against auction houses. Fairs are events, as auctions are, and they create an atmosphere that can be even more conducive to records. The private viewing on Wednesday was graced in the evening by the presence of the Princess of Wales. It was one of those affairs, much beloved of the British upper class, where the participants see themselves as actors in a game of elegance, with a pace and a tone that no auction can emulate. For such affairs to achieve optimal conditions for success, it requires certain people to come and certain objects to be there, neither of which would go to an art auction house.

At Grosvenor House this year there are some such objects. On the stand of the Pelham Galleries, for example, Alan Rubin displays one panel from the complete set of railings in the French taste that once adorned Chesterfield House, that very grand masterpiece of English domestic architecture in London, demolished in 1937. There is also a unique working model of a fine engine in the best neoclassical taste that Rubin dates to "circa 1760." Neither the railings nor the working model, which both belong to the top layer of museum objects, would be likely to turn up at auction.

More impressive still and yet barely publicized are the specialized exhibitions that dealers give increasing attention to. In the Chinese field alone, there are four important dealers' shows on right now. Several records were set in them this week.

The man that comes out on top for sheer numbers is Giuseppe Eskenazi at 166 Piccadilly. A fast and yet gentle and persuasive man, Eskenazi succeeded in buying en bloc the collection of Chinese objects of art of the late Franco Varnotti, whose Chinese paintings were acquired by the West Berlin Museum für Ostasiatische Kunst, for, it is rumored in the trade, \$11 million. Eskenazi's show, which will be on view through July 7, includes 63 pieces, of which 41 had been sold by Thursday night, totaling \$4,966,000 (more than \$7.5 million) — a brilliant score by any auctioneer's standard.

On the opening day, Tuesday, a vase of the fifth century B.C., famous among Chinese scholars for its

inlaid decoration of stylized animals — the dispute about the inlaying technique is unresolved — sold for \$1.2 million, a record for a bronze of that period. This lag far behind the record for any Chinese bronze, set last April when Eskenazi resold the 14th-century B.C. animal vessel he had bought for \$2.97 million in December at Christie's New York. Characteristically, while the auction price, far and away the world record at the time for any Chinese work of art, was loudly celebrated, nothing has so far transpired of the April transaction, known in the trade to have left Eskenazi a very decent 10 percent profit. Nor has the buyer's name, Ronald Lander, been discussed in connection with this remarkable occurrence, even though it speaks for the American collector's ability to look at the greatest in every sphere.

Other records set this week in the dealers' shows of Chinese art drew no more attention. At Bhett & Sons at 48 Davies Street, an exhibition of early Chinese lacquerwork from the 15th to the 16th century puts the art in an entirely new perspective. This is the first time that a sequence of 32 objects, many hitherto unrecorded, makes it possible to follow the development of the art. The impact of the superb catalogue, which was sent to a few chosen collectors before the opening, was enormous. A Japanese collector sent an agent who slept on the doorstep the night before to be first in line and grab a \$275,000 scalloped dish of the late 14th century. This is a good 10 percent more than the previous record for Chinese lacquer set at Christie's in Hong Kong last November. Anthony Carter, the new managing director at

Bhett's has every reason to be pleased. Characteristically, however, he kept very quiet about prices.

Nor has anything been heard about prices in one of the most innovative exhibitions ever held in the Chinese field, the show of Chinese porcelain made for the Japanese market in the 17th century and of its counterpart intended for home consumption now on view at S. Marchant & Son, 120 Kensington Church Street. David Freedman, the partner of Richard Marchant who put it together, says he worked on it for five years. The reward came instantly.

As we went through the show, on through June 30, Freedman kept differentiating between pieces which had "gone within the first minute" of the opening and those that had gone within the hour. Among the former is a polychrome basin which at £22,000 holds the current record for Ko-Akase, as this ware is known. It is going back to Japan. Add to that the exhibition of Christian Deydier's bronzes at 96 Mount Street, and the current pageant of Chinese art for sale in London easily outshines the most dazzling auction.

The amount of work that has gone into each one can be measured from the catalogues. Eskenazi's provides a highly documented account of the history of each object. The richly illustrated booklets produced by Bhett & Marchant will remain as handbooks on the subject. The dealers have scored a major victory, which is conveyed by their record prices and their scholarly contributions alike. It only remains for them to overcome their hang-ups about prices and learn about the latest art market weapon — communication.

C H A G A L L

from June, 7th to July 15th, 1989

Paintings
Sculptures
Temperas
Works on paper



"Don't find me odd!
On the contrary I am a realist.
I love earth."

GALERIE ENRICO NAVARRA
75, rue du Faubourg Saint-Honoré
75008 Paris
Ph. 1-47.42.65.66

auCTION sales

IN FRANCE

DROUOT RICHELIEU
8, Rue Drouot, 75009 Paris - Tel.: 48 00 20 20.

Thursday, June 22
ROOM 4 at 2 p.m. MODERN PAINTINGS AND SCULPTURES including part of the collection of Alain DELON. M^{rs} POULAIN, 18, rue de Valenciennes, 75007 Paris. Tel.: (1) 45.67.11.51. Fax: (1) 42.73.55.95.

Monday, June 26
ROOMS 5 & 6 at 2.30 p.m. IMPORTANT DRAWINGS AND OLD MASTER PAINTINGS, including a painting by Valentin de BOULOGNE "Saint Jean-Baptiste". Thomas GOSWELL, 10, rue de Valenciennes, 75007 Paris. Tel.: (1) 47.70.00.45. Fax: (1) 48.00.00.10.

Monday, June 26
ROOMS 2 & 3 at 2 p.m. ANTIQUE AND MODERN ILLUSTRATED BOOKS. Mes CARDINET KALICK Paris Auction, 14 Quai de la Mégisserie 75001 Paris. Tel.: (1) 42.56.89.12.

Tuesday, Wednesday, Thursday, June 27, 28, 29
ROOM 8, June 27, 11.15 a.m. to 2.15 p.m. and June 28, at 11.15 a.m. "TUMACO" 1000 years of PRECOLUMBIAN ART - South Colombia - COLLECTION YVES SABOUL.

ROOMS 8 and 9, June 28, at 2 p.m. and June 29, at 2 p.m. PRIMITIVE ARTS: AMERICA - OCEANIA - AFRICA. M^{rs} LOUDMER, 18, rue de Provence, 75009 Paris. Tel.: (1) 45.23.15.25. Fax: (1) 47.70.10.76.

Wednesday, June 28
ROOM 4 at 2 p.m. MODERN PAINTINGS, Quatre, Ognès etc. OBJETS D'ART AND ANTIQUE FURNITURE. M^{rs} MORELLE, 50, rue Saint Anne, 75002 Paris. Tel.: (1) 42.56.89.22.

Friday, June 30
ROOMS 5 & 6 at 2.30 p.m. DRAWINGS & OLD MASTER PAINTINGS, FURNITURE, OBJETS D'ART, CARPETS, TAPESTRIES. M^{rs} COUTURIER-NICOLAY, 10, rue de l'Université, 75007 Paris. Tel.: (1) 49.27.02.14. Fax: (1) 49.27.02.75.

PARIS AREA
Argenteuil, Asnières, Charente, Chateaufort, Corbeil-Essonnes, Dreux, Evry, Evry-Courcouronnes, Fontainebleau, Gagny, L'Isle-Adam, Lisses, Marolles, Meaux, Melun, Nogent le Rotrou, Palaiseau, Pontoise, Provins, Rambouillet, St Germain en Laye, Sens, Tonnerre, Versailles.

Sunday, June 18
MEALUX 77100
At 2 p.m. BIBELOTS, 18th & 19th C. PAINTINGS, JEWELRY, SILVER, 18th & 19th C. FURNITURE & COPIES, ORIENTAL RUGS, TAPESTRY. On view: June 17, 10 a.m. to 12 & 2 p.m. to 6 p.m. June 18, 10 a.m. to noon. M^{rs} de CORNELIAN, 54, rue de l'Abbaye. Tel.: (1) 64.34.11.97 - (1) 60.09.07.81.

Wednesday, June 21
ENGHIEN 95180
At 9 p.m. MODERN PAINTINGS - SCULPTURES by Arman, Appel, Adon, Brique, Buffet, Caillebotte, Cleve, Derain, Dubuffet, Ernst, Gerouste, Helion, Lacombe Lam, Laurens, Léger, Lucie, Manessier, Marquet, Matisse, Masson, Miro, Millares, Miro, Pissarro, Renoir, Riopelle, Roussel, Schneider, Utrillo, Vuillard. On view: In FRANCE, ENGHIEN: Tuesday, June 20, 9 p.m. to 11 p.m. Wednesday June 21, 10 a.m. to 12, 2 p.m. to 6 p.m. Catalogue on request at the auctioneer's office. FF 300. Available in Japan Tokyo: TOKYO AUCTION CENTER. Tel (03) 449.92.66. Fax (03) 440.76.30. Mes CHAMPIN-LOMBARD-GAUTIER, 2, rue de Doucrou-Leroy, 95180 ENGHIEN, FRANCE. Tel: 33 (1) 34.12.68.16. Fax: 33 (1) 34.12.69.64.

PROVINCES

Saturday, June 17
LYON 69009
At 10 a.m. DRAWINGS, FRONTS. At 2.30 p.m. OLD MASTER & MODERN PAINTINGS, French schools & Foreign 17th, 18th & 20th C. by Chardin, Chocquet, Cogghe R., Coen P., Girardet K., Léves, Lévesque, René J., de Vos, SCP MILLARDE Associated Auctioneers, 3, av. Sidoine Apollinaire. Tel.: 78.47.78.12. Telex: G 41 546.

DROUOT VEHICULES II
30, Rue des Fillettes, 83300 Aubervilliers.

Saturday, June 24
At 2.30 p.m. COLLECTORS' VEHICLES M^{rs} BOSCHER, STUDER, FROMENTIN.

Sunday, June 25
At 2.30 p.m. COLLECTORS' and PRE-COLLECTORS' VEHICLES M^{rs} BOSCHER, STUDER, FROMENTIN, 3, rue d'Amboise, 75002 Paris. Tel.: (1) 42.60.87.87 - Fax: (1) 42.60.36.44.



One of the two Leonardo drapery drawings coming up for sale.

Two Leonardos for Sale

Two drapery studies by Leonardo are to be sold in Monte Carlo by Sotheby's on Dec. 1. Painted "on thin sheets of cambric or linen, in black and white with the point of the brush," as Vasari described Leonardo's technique in the 16th century, they were probably done around 1470-72, when the artist was 18 or 20.

According to Sotheby's, these are the last known examples of such studies in private hands. They come from the collection of the Comtesse de Béthune, who bought five of them at auction in Paris in May 1900. One was acquired in 1934 by the Institut Néerlandais from her heir, Marquis Hubert de Ganay. Another was recently presented to the Louvre by the Ganay family and a third one sold to the museum by them at an undisclosed price. In return, the Ministry of Culture granted export licenses for the remaining two.

This should generate intense competition between the world's leading institutions, and top buyers from Japan which have, of late, been making increasing inroads into the field of Western Old Masters.

— SOURIN MELIKIAN

AUCTION SALES

AUCTIONEERS IN PARIS
12, rue Favart, 75002 PARIS - (1) 42 61 80 07
Fax: (1) 42 60 79 09

HOTEL GEORGE-V
31, avenue George-V, 75008 Paris.
(Salon Vendôme)

THURSDAY
JUNE 21
AT 3 P.M.

VERY FINE
18th CENTURY
FURNITURE
and
WORKS OF ART

Notably:
from the Collection
of M^{rs} Christian
HEDSIECK-DELEPOULLE
and Louis BURAT

Expert: M. Dillée.

Public Viewing
at "Hotel George-V"
Tuesday 20 June
from 2 to 10 p.m.

Please contact: Colette Joignant
Tel: (1) 42 61 80 07 - Ext 454.



Fine LOUIS XVI ornate metal clock
"Les trois grâces" signed "Laprade à Paris"
- 52 cm High.

IMPORTANT SALE
OF
PERSIAN, ISLAMIC
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Including:
Qadjar paintings, pen-box,
mirror-cases, miniatures, drawings,
calligraphy, textiles, metalwork,
Moghul gold and jewellery.

NEW YORK, October 1989

Additional consignments accepted until
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Habsburg, Feldman Inc.
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Telex: 798 271 HABSBU NY
Fax (212) 570-4624

Nicole Bartelko
Habsburg, Feldman S.A.
202, rue du Grand-Lancy
1213 Onex/Geneva
Tel (022) 757-2330
Telex: 422 757 HFSB CH
Fax (022) 757-6498



M^{rs} Etienne Libert et M^{rs} Anne-Cécile
Associated Auctioneers

3, rue Rossini, 75009 PARIS - Tel.: (1) 48 24 51 20, Fax: (1) 48 00 91 07
Drouot Richelieu - Rooms 5 & 6
Monday June 26, 1989 at 2.30 p.m.

**IMPORTANT
OLD MASTER PAINTINGS**

by: A. van Aert, L. Bosch, J. van Bredael, J. Cottelle, J. Du-
crocq, attribué à C. van Haerlem, Henri III Jordens, F. Lemoyne, J.
Lingelbach, F. Snyders, L.R. Trinquasse, J.B. Perronneau, C. de Vos and
the French and Italian schools of the 16th, 17th & 18th Centuries.

Expert: M. Eric TURQUIN, 69, rue Saint-Anne, 75002 PARIS, Tel.: 47 03 48 78.
On view Saturday June 24, 11 a.m. - 6 p.m. & Monday June 26, 11 a.m. - noon.
Joseph DUCREUX (1735-1802) "Autoportrait en Maquereau" Canvas, 80 x 71.5 cm

NYSE Most Actives					
Symbol	Vol.	High	Low	Last	Chg.
IBM	1,234,567	120.50	119.75	120.00	+0.25
AT&T	987,654	45.25	44.75	45.00	+0.25
GE	876,543	30.10	29.75	30.00	+0.25
Microsoft	765,432	60.00	59.50	60.00	+0.50
Amgen	654,321	15.50	15.25	15.50	+0.25
Amgen	543,210	12.75	12.50	12.75	+0.25
Amgen	432,109	10.00	9.75	10.00	+0.25
Amgen	321,098	8.50	8.25	8.50	+0.25
Amgen	210,987	7.00	6.75	7.00	+0.25
Amgen	109,876	6.00	5.75	6.00	+0.25

Market Sales	
NYSE 4 a.m. volume	244,510,000
NYSE prev. close	253,175,000
NYSE prev. close	114,140,000
Amerex 4 a.m. volume	1,570,000
Amerex prev. close	1,521,120,000
OTC 4 a.m. volume	1,570,000
OTC prev. 4 a.m. volume	1,521,120,000
NYSE volume up	6,329,000
NYSE volume down	5,834,100
Amerex volume up	2,629,000
Amerex volume down	n.s.
OTC volume up	n.s.
OTC volume down	n.s.

NYSE Diary		
	Close	Prev.
Advanced	814	644
Declined	430	1078
Unchanged	357	460
Total Issues	1981	1968
New Highs	6	69
New Lows	13	24

NYSE Index				
Index	High	Low	Close	Chg.
NYSE	1,234.56	1,233.45	1,234.56	+1.11
NYSE	987.65	986.54	987.65	+1.11
NYSE	876.54	875.43	876.54	+1.11
NYSE	765.43	764.32	765.43	+1.11
NYSE	654.32	653.21	654.32	+1.11
NYSE	543.21	542.10	543.21	+1.11
NYSE	432.10	431.09	432.10	+1.11
NYSE	321.09	320.08	321.09	+1.11
NYSE	210.98	209.97	210.98	+1.11
NYSE	109.87	108.86	109.87	+1.11

Friday's NYSE Closing				
Index	High	Low	Close	Chg.
NYSE	1,234.56	1,233.45	1,234.56	+1.11
NYSE	987.65	986.54	987.65	+1.11
NYSE	876.54	875.43	876.54	+1.11
NYSE	765.43	764.32	765.43	+1.11
NYSE	654.32	653.21	654.32	+1.11
NYSE	543.21	542.10	543.21	+1.11
NYSE	432.10	431.09	432.10	+1.11
NYSE	321.09	320.08	321.09	+1.11
NYSE	210.98	209.97	210.98	+1.11
NYSE	109.87	108.86	109.87	+1.11

AMEX Diary				
Index	High	Low	Close	Chg.
AMEX	1,234.56	1,233.45	1,234.56	+1.11
AMEX	987.65	986.54	987.65	+1.11
AMEX	876.54	875.43	876.54	+1.11
AMEX	765.43	764.32	765.43	+1.11
AMEX	654.32	653.21	654.32	+1.11
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NASDAQ Index				
Index	High	Low	Close	Chg.
NASDAQ	1,234.56	1,233.45	1,234.56	+1.11
NASDAQ	987.65	986.54	987.65	+1.11
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AMEX Most Actives				
Symbol	Vol.	High	Low	Last
IBM	1,234,567	120.50	119.75	120.00
AT&T	987,654	45.25	44.75	45.00
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Microsoft	765,432	60.00	59.50	60.00
Amgen	654,321	15.50	15.25	15.50
Amgen	543,210	12.75	12.50	12.75
Amgen	432,109	10.00	9.75	10.00
Amgen	321,098	8.50	8.25	8.50
Amgen	210,987	7.00	6.75	7.00
Amgen	109,876	6.00	5.75	6.00

AMEX Stock Index				
Index	High	Low	Close	Chg.
AMEX	1,234.56	1,233.45	1,234.56	+1.11
AMEX	987.65	986.54	987.65	+1.11
AMEX	876.54	875.43	876.54	+1.11
AMEX	765.43	764.32	765.43	+1.11
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NYSE Rises in Heavy Trading

NEW YORK — The "triple witching hour" expiration of June stock futures and options failed to scare away buyers Friday, allowing prices on the New York Stock Exchange to close higher in the busiest session in almost five months.

The Dow Jones industrial average, which had fallen 28.36 points Thursday, rose 11.38 to close at 2,486.38. Losses suffered in the previous three sessions, however, pushed the blue-chip index 27.04 points lower for the week.

Broader market indicators also rose Friday. The NYSE composite index gained 0.62 to 179.59, and Standard & Poor's 500-stock index climbed 1.27 to 321.35. The price of an average share added 12 cents.

Advances led declines by about a 4-to-3 ratio. Volume swelled to 244.5 million shares, the highest level since Jan. 27, compared with 179.5 million traded Thursday.

Expectations that trading would be busy during the "triple witching hour," a quarterly event in which various stock-index futures, index options and options on individual stocks expire simultaneously, were met Friday as computerized program trading kicked in and sent the volume skyrocketing.

Typically, the impact of the "hour" is felt at both the opening and the close of trading as various stock-related futures and options expire based on opening prices, while others expire at the end of the session.

Hugh Johnson, head of the investment policy committee at First Albany Corp., in Albany, New York, said early indications that the first phase of the expiration-related trading would

send the market lower attracted bargain hunters primarily to the blue-chip sector.

However, while smaller issues did indeed lag behind the blue chips for most of the day, buying interest spilled over into the broader market late in the session, resulting in higher prices all around at the time of the close.

Mr. Johnson said the market emerged from the expiration-related activity surprisingly firm considering the unpredictability that usually surrounds it.

"The market absorbed it all pretty well," he said.

He also noted that investors paid little attention to renewed weakness in dollar and bond prices on Thursday, or to the latest economic data, as a result of their focus on the expiration.

The government Friday said the Consumer Price Index in May rose 0.6 percent, which exceeded forecasts of a 0.5 percent hike and suggested inflationary pressures remain firm.

Separately, the government said housing starts fell 2.1 percent in May, which marked their fourth consecutive monthly decline.

In NYSE trading, Warner Communications was the most active issue, jumping 3 1/4 to 59 1/4. Warner and Time Inc. Friday announced they have reached a revised merger agreement under which Time will launch a \$70-a-share cash bid for 100 million of Warner's common shares. In addition, Time said its board has rejected a hostile \$10.7 billion takeover offer from Paramount Communications Inc. Time also said it has filed a lawsuit in an attempt to prevent Paramount from continuing its pursuit.

Time plunged 5 1/2 to 166, and Paramount fell 1 1/2 to 58.

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Symbol	Vol.	High	Low	Last	Chg.
IBM	1,234,567	120.50	119.75	120.00	+0.25
AT&T	987,654	45.25	44.75	45.00	+0.25
GE	876,543	30.10	29.75	30.00	+0.25
Microsoft	765,432	60.00	59.50	60.00	+0.50
Amgen	654,321	15.50	15.25	15.50	+0.25
Amgen	543,210	12.75	12.50	12.75	+0.25
Amgen	432,109	10.00	9.75	10.00	+0.25
Amgen	321,098	8.50	8.25	8.50	+0.25
Amgen	210,987	7.00	6.75	7.00	+0.25
Amgen	109,876	6.00	5.75	6.00	+0.25

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Italian Technology

Electronic Banking Fueled By Strong Investment Plan

ITALIAN BANKS have been boosting their investments in technology by about 10 percent a year, a trend analysts expect to continue into the early 1990s as branch automation spreads and payment systems become increasingly integrated.

As a result of the strategic emphasis placed on automation by the Bank of Italy and the nation's major financial institutions, Italian consumers have access to a unified national automatic teller machine (ATM) network — which is being progressively opened to foreign Eurocheque cardholders — as well as to point-of-sale (POS) terminals in most major cities.

The spread of electronic banking services, however, continues to be hampered by the inefficiency of the state-owned telecommunications infrastructure and by the reluctance of many Italians to adopt alternative payment instruments.

The major information technology (IT) players are Ing. C. Olivetti & Co. S.p.A. and IBM Italia S.p.A., which together control the lion's share of the electronic banking market. "Over the last three years Italian banks have channeled a significant portion of their IT investments into branch systems, where Olivetti has a market share of over 50 percent," says Daniele Mosca, managing director of Olivetti Systems & Networks (OSN). According to Mr. Mosca, in the future an important trend will be decentralization: self-service branches, real-time networks and minicomputers to shoulder part of the processing load now borne by mainframes.

"From now on we should see more money being directed toward boosting the operational independence of branches," says Roberto Taranto, managing director of Teknibank S.p.A., a Milan-based consulting and research firm. According to a Teknibank study, of the 1.69 trillion lire (\$1.17 billion) spent

by Italian financial institutions on hardware in 1987, 63 percent went into headquarters applications, while only 20 percent went into their branches.

Between 1986 and 1987, the number of personal computers in Italian banks jumped by 48 percent while the number of minicomputers grew by 40 percent; the number of mainframes, on the other hand, increased by 9 percent. "The number of mainframes isn't growing sharply because technological advances have made it possible to consolidate," explains Fabrizio Matteucci, commercial director for banks and insurance companies at IBM Italia S.p.A. "Today a single CPU [central processing unit] can do the job of two, three or more of yesterday's machines." IBM's strategy for the Italian banking market gives equal play to mainframes, PCs and minis: "The non-technical public tends to think of us in terms of mainframes and large systems, but IBM is a global supplier of both hardware and software," says Mr. Matteucci.

The first Italian financial institution to install cash dispensers — and the only one with ATMs programmed to accept deposits — is Cassa di Risparmio delle Province Lombarde (CARIPLO), a 400-branch savings bank with assets of 70,000 billion lire in 1988. CARIPLO's IT costs increased from 28 to 60 billion lire a year between 1981 and 1987, and averaged around 4.6 percent of total operating costs, in line with the 5 percent average registered for the banking system as a whole. "With the recent narrowing

See Banking Page 12

The Cost of the Cutting Edge

While Italy has raised the portion of its gross domestic product devoted to research and development from 0.7 percent in 1980 to 1.3 percent in 1988, it still lags behind the U.S. and its main EC competitors.

In billions of lire (US\$1 = 1,463 lire)

	1986	1987	1988
State and public bodies:			
Pure research	1,646	2,038	2,439
Applied research	1,689	2,031	2,466
Development research	909	1,194	1,118
Total	4,244	5,263	6,023
Public-sector companies:			
Pure research	24	26	27
Applied research	865	1,058	1,269
Development research	1,371	1,771	1,880
Total	2,260	2,855	3,176
Private-sector companies:			
Pure research	49	63	74
Applied research	1,863	1,915	2,039
Development research	1,974	2,407	2,521
Total	3,886	4,385	4,634
Total:			
Pure research	1,719	2,127	2,540
Applied research	4,217	5,004	5,774
Development research	4,254	5,372	5,519
Total	10,190	12,503	13,833

Source: ISTAT

State Plays Key Role in Underwriting Research

DESPITE INCREASED investment, senior Italian industrialists claim that insufficient resources are allocated to pure and applied research. Their concern: Italy encourages makers and doers rather than researchers and thinkers.

"We cannot disguise the fact that the country is behind in research," says Sergio Pininfarina, chairman of the industrialists' confederation Confindustria. Luigi Abete, the deputy chairman, agrees and draws attention to the limitations in the modernization process that industry has undergone over recent years.

"Industry has concentrated on processes and has neglected product innovation. We have become very good at making automated production systems, but have lagged in research and development. Major efforts are needed in developing

new materials and experimenting with new product forms," says Mr. Abete.

An important contributing factor is the industrial fabric, which is dominated by small- and medium-sized firms. Being small imposes limits on research and development spending. "Small is no longer beautiful," affirms Mr. Abete.

Mr. Abete also points to a weak link between the education system and industry. "There is enormous waste, not only of money but of

See Research Page 13

Aerospace: Imagination, Innovation and Engineering

AVIATION TECHNOLOGY in Italy is fast and stylish. Constantly renewing itself to keep ahead of the competition, it's as fast-paced as the aircraft that are its focus.

Collaborative ventures are part of Italy's strategy. Aeritalia, for example, is working with France's Aerospatiale on the ATR-72 — a 66-74 passenger aircraft that is an elongated version of the very successful ATR-42. Aeritalia, the world's second largest producer of fuselage panels, is responsible for the complete fuselage of the ATR series.

The ATR-72 is the first civilian plane to use carbon fiber wings, which are 20-30 percent lighter than traditional wings and result in greater fuel efficiency for their operators; the first of some 86 units already sold are scheduled for delivery next month.

According to Fausto Cereti, Aeritalia's managing director, "We design materials to meet the requirements of specific projects. Our own biggest research effort is in fibers. We are probably the most advanced in Europe in carbon fibers."

Carbon fibers are not the only materials with which Aeritalia has built a competitive edge. Subsidiary MIKI has for years worked in advanced composite materials, specifically those used in aerospace, antiballistic structures and radome production.

Radomes are the protective covering for radar antennae, and designing the large-scale units used for applications such as air traffic control is a particularly complex operation. Curiously enough, some of the problems inherent in large-scale radomes can be overcome by placing the protective panels in an apparently haphazard order. The effect is to minimize the loss of the electromagnetic signal that may otherwise occur.

Aeritalia is literally at the cutting

edge in another area of high technology: helicopter blades. The EH-101, the largest helicopter in the Western world, is a joint venture between Italy's Agusta and the U.K.'s Westland. Its propellers have to ensure high operating performance and efficiency plus low operating costs and minimal fuel consumption.

The resulting CT7-6 series meets these requirements with avant-garde propulsion that furnishes 2,000 horsepower per blade. It was developed by Aeritalia subsidiary Alfa Romeo Avio, plus Fiat Aviazione and General Electric. The CT7's properties make it ideal for civilian as well as military applications. The project also illustrates the international — as well as intercompany — cooperation characteristic of the Italian aviation industry. Historically, Italy has been at the forefront of joint ventures, and today holds fifth place worldwide in making such business alliances with foreign partners.

Selenia Elmag Group had 36 percent of its sales outside Italy last year and expects to maintain, if not increase, this figure in 1989. Selenia is involved in aerospace and electronics and is a world leader in air traffic control equipment. By the end of 1988, 38 countries — from Columbia to Qatar — had adopted Selenia air traffic control systems. The company's competitive edge, explains Selenia spokesperson Bruno Stella, lies in a combination of advanced technology and cost efficiency.

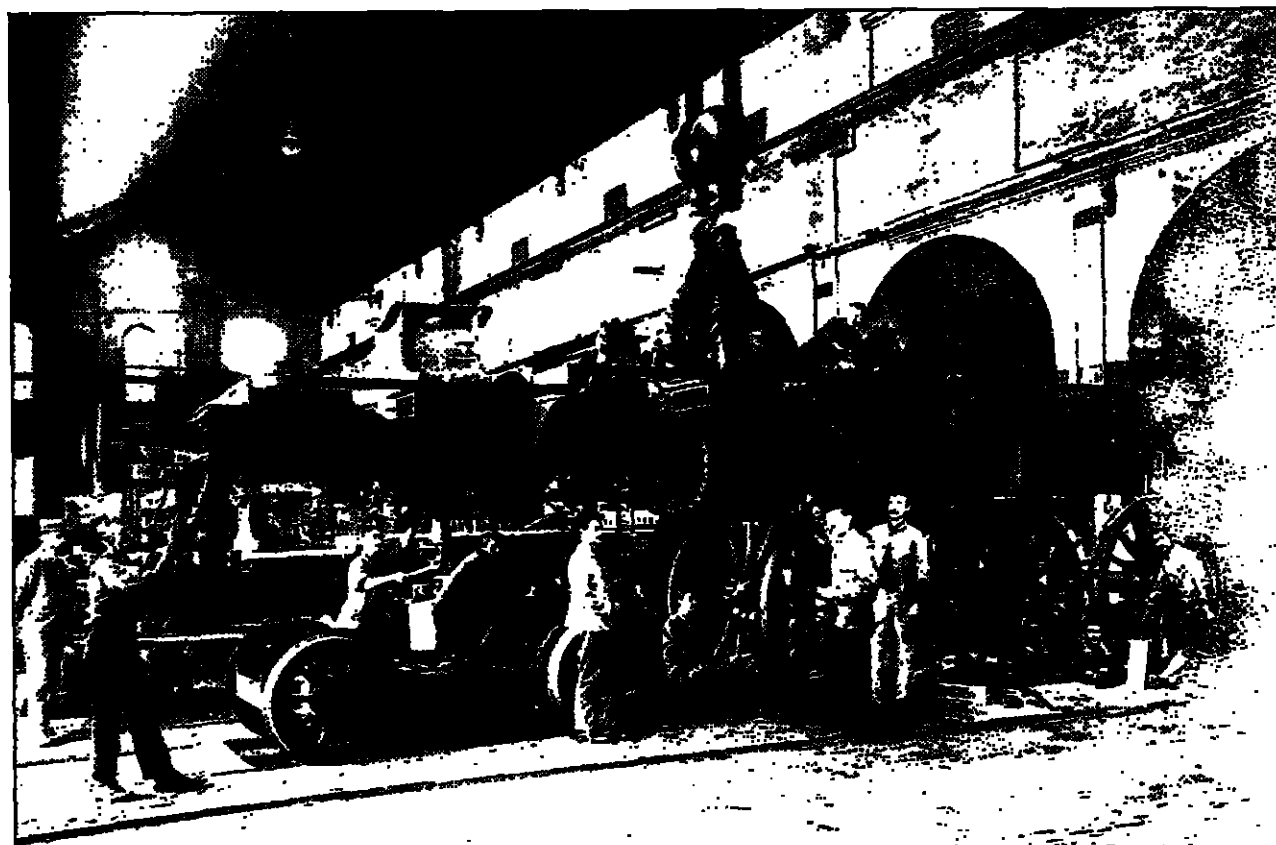
These qualities are also appreciated at home. Selenia was recently

See Aerospace Page 14

COMFORT. THE POWER TO EVOLVE.

Executive and corporate transport demands the highest levels of comfort and performance. Satisfying that demand takes a special sort of helicopter — the Agusta A109 MK II "Plus", a twin engine, eight seater, high performance helicopter with a fully integrated avionics package certified for single pilot IFR operations. It offers speed and comfort in a quiet and relaxing atmosphere. Externally, its retractable landing gear and clean lines mean that the A109 MK II "Plus" not only performs well but looks good too. Internally the luxuriously appointed cabin gives airliner-like comfort, low noise and vibration levels. While the avionics systems and critical systems redundancy combined with excellent single-engine performance ensure maximum flight safety. Competitively priced, with low operating costs and low maintenance down-time, the A109 MK II "Plus" sets new standards in executive corporate helicopter transport.

In the world of airplanes, helicopters and aerospace systems Gruppo Agusta provides the power to evolve.



Railway Works Breda of Milan, 1898. History Records Office, Finanziaria E. Breda

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AGUSTA
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Construction Sector Emerging as World Player

According to the Milan-based monthly *Costruire*, the 13 largest Italian civil contractors in 1987 represented a meager 5 percent of the total 127 trillion lire (US\$88 billion) turnover of the top 100 groups in Western Europe.

The recent acquisition of Cogefar S.p.A. by Fiat unit Impresit S.p.A. created Italy's largest private civil contractor, with annual revenues of around 1.5 trillion lire. However, the new group still substantially trails established European giants like Bouygues, Tralfalgar House and Philipp Holzmann.

The relatively modest size of

An increasingly competitive market and the demand for more complex projects are causing Italian construction companies to beef up their size through partnerships, acquisitions and consortiums.

most private Italian contractors can be partially explained by the continuing division between the civil (highways, sewers, dams) and non-civil (power stations, oil pipelines, manufacturing plants) branches, which tend to overlap in other countries. Another factor is the head-on competition from giant government-run groups like Italstat and

Saipem and from broad-based co-operatives, most notably Conaco, that together claim about one-third of the construction market. Finally, the growth of independents has been hampered by a cumbersome public-works bureaucracy and the lack of private funding.

"The national market works by rules that are very different from

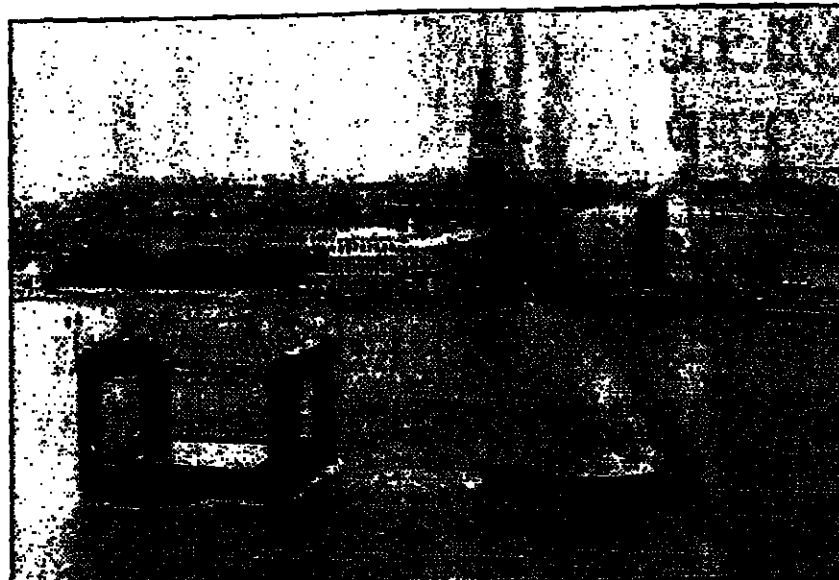
other European countries," comments Aldo Norsa, associate professor of technology at the Politecnico di Milano. "Government financing is piecemeal, and companies don't necessarily bid to specific designs. Once the job is obtained they can modify the plans, and so final costs are often two or three times the initial bid."

Despite the uneven domestic picture, Italian construction and, even more especially, its engineering and plant manufacturing firms, have emerged as formidable players on the world scene over the past decade. In 1987 they won \$9.2 billion in foreign contracts, or 12.4 percent of the total, third behind the U.S. and Japan. The figure for 1988 is expected to jump above \$10 billion.

The capacity of Italian technicians for solving a wide range of problems is one of our greatest resources," says Vincenzo Lodigiani, vice president of the National Association of Civil Contractors (ANCE).

Italian know-how in the modern construction field developed out of necessity following World War II among hundreds of small, family-owned concerns that still form the backbone of the industry. Typical of the category is Girola S.p.A. of Milan, begun 83 years ago and today presided over by the founder's son Cesare Girola. The closely held company has kept its autonomy and competitive edge (consolidated revenues climbed 51 percent to 300 billion lire last year from 198 billion lire in 1987) with an aggressive targeting of foreign contracts. In the late 1950s Girola formed a consortium with Fiat subsidiary Impresit S.p.A. and Lodigiani S.p.A. The alliance, known as Impregilo S.p.A., engages exclusively in overseas projects, ranging from a hydroelectric dam in Argentina to an irrigation system in Thailand.

Closer to home, Girola is also a prominent partner in the Consorzio



Venice: towing one of the massive MOSE modules into position.

Venezia Nuova, a group of more than 20 constructors and engineers created in 1985 for the purpose of protecting Venice from damaging high tides. The consortium recently launched an experimental, 1,300-ton floating module, nicknamed MOSE (Modulo Sperimentale Elettromeccanico), that operates a set of movable gates to regulate the flow of water into the lagoon. Following the removal of MOSE and analysis of its yearlong research, construction will begin on a series of permanent, submerged pneumatic barriers that are tentatively scheduled to be completed in 1997 at a 1987-estimated cost of 3.3 trillion lire.

"Two preconditions for the final design were that there be no fixed structures above the waterline," says Franco de Siervo, technical director of the project. "Otherwise navigation would be blocked and the natural scenery spoiled."

Another ambitious project involves the creation of a national high-speed railway service. ESAFER, composed of 70 construction, engineering and electro-mechanical companies from the private and public sectors, became operative in early 1988 and has

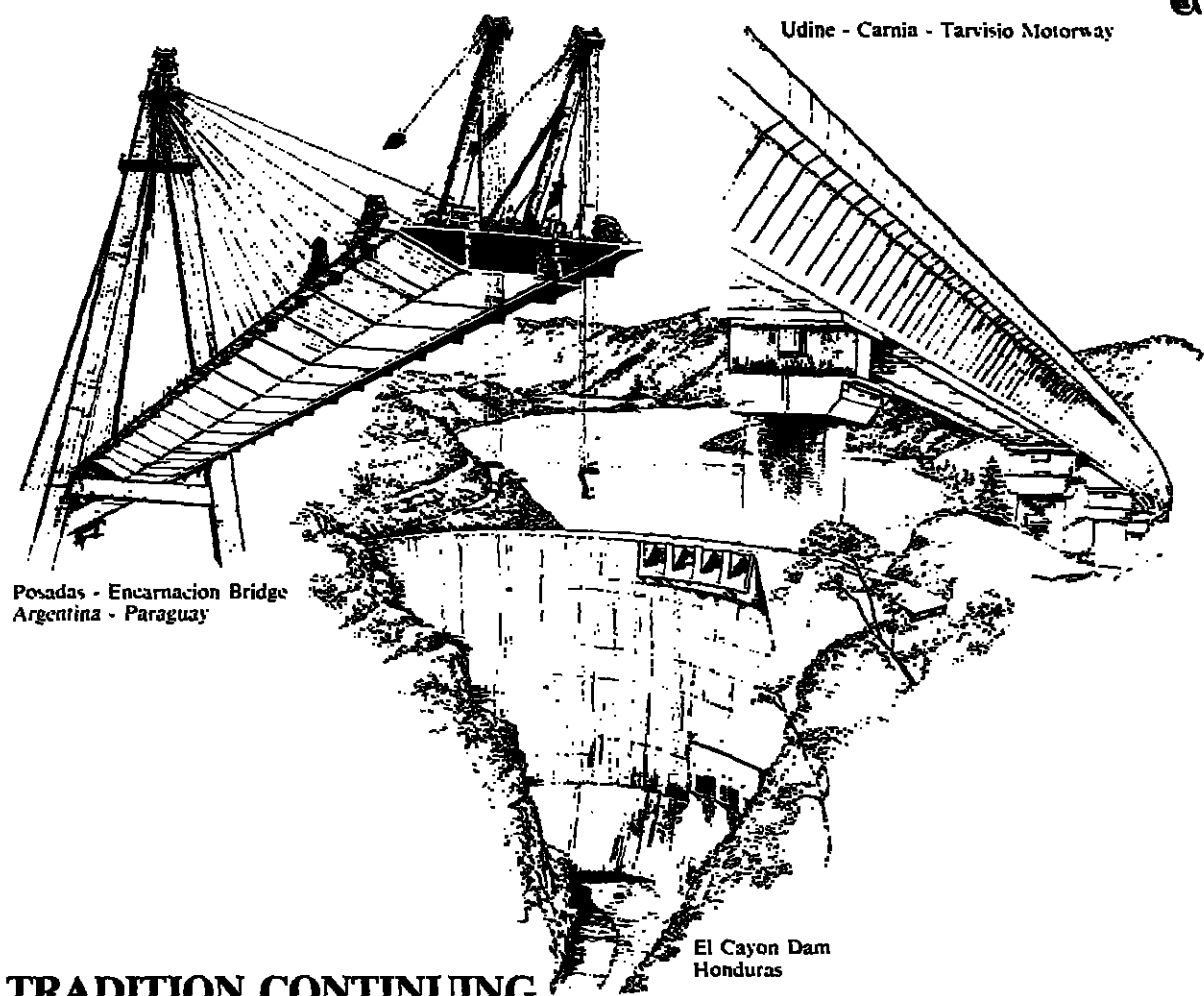
since completed an initial feasibility study. The project, which will run to more than \$20 billion, envisages joint financing by consortium members, international investors and the government. Such an arrangement would signal an important change in the make-up of the Italian rail-road, which has always been a state holding.

"The success of the plan depends largely on whether the government accepts the principle of mixed ownership," admits Sandro Stardi, ESAFER's executive vice president.

There are signs, however, that Italy's political establishment is becoming more receptive to the demands of private business. For civil construction this hint of closer cooperation could entail a more rationalized system of public works funding for overdue renovations of the country's infrastructure, tighter vigilance over project designs and timetables and a broadening of export credits and insurance guarantees.

"The real challenge does not come from outside," contends Mr. Lodigiani of ANCE, "but from within our own system."

Michael Kinsler



Posadas - Encarnacion Bridge
Argentina - Paraguay

Udine - Carnia - Tarvisio Motorway

El Cayon Dam
Honduras

TRADITION CONTINUING INTO THE FUTURE

Organization manpower experience

The essential prerequisites for engineering and construction work are: past achievement; creative, organizational and management skills; the ability to satisfy different requirements and to handle contracts; experience in the fields of the transfer of know-how, counter trade and financial engineering



Automation Moves off the Factory Floor

Italy was a late starter but probably the quickest developer on the automated production systems scene. Machine tools are a major Italian export, and Italy is now the world's fifth largest producer of manufacturing robots.

In 1987 Italian robot manufacturers exported 584 robots and automated machines valued at 86.5 billion lire (\$59.7 million) — an increase of 18.9 percent in quantity and 7.6 percent in value over the previous year. Estimates for 1988 exports show a further 22.3 percent increase in value to 110 billion lire.

Today the Fiat factory in Cassino, near Naples, is probably the world's most advanced automobile plant. The production of the latest Fiat Tipo model is almost entirely automated, using high-tech tools such as calculators, robots, automatic guided vehicles and lasers supplied by COMAU, the Fiat machine tool manufacturing subsidiary. These industrial robots are among the most renowned on the world market, but they are by no means the most sophisticated.

"Italy's history of machine tool expertise is one side of our success story in robotics," says Professor Angelo Marino, who heads the technological research department of ENEA, the Italian state Nuclear and Alternative Energy research institute. "The other side is Italian

industrialists' willingness to experiment with the non-conventional use of electronics and software."

As a research body, ENEA is deeply involved in futuristic projects for both the industrial and scientific sectors. These also involve Italy's growing number of robot manufacturers such as Mandelli, which produces flexible manufacturing systems for clients including Volvo and Volkswagen, and FIAR, which works on spatial robots.

For textile company Sophis Italia, ENEA has developed a computer-aided design system to produce thoroughly researched, highly competitive patterns and designs. The computer-based system, designed to speed up the product cycle, can simulate every process in the textile trade from designing the pattern on the cloth to weaving, finishing and cutting.

Such systems have not only helped the textile sector maintain its importance as a major Italian exporter, they have also won significant export orders in their own right. In 1988, for example, \$44 million worth of automated weaving

systems were sold to Japanese companies, marking a 100 percent increase over the previous year.

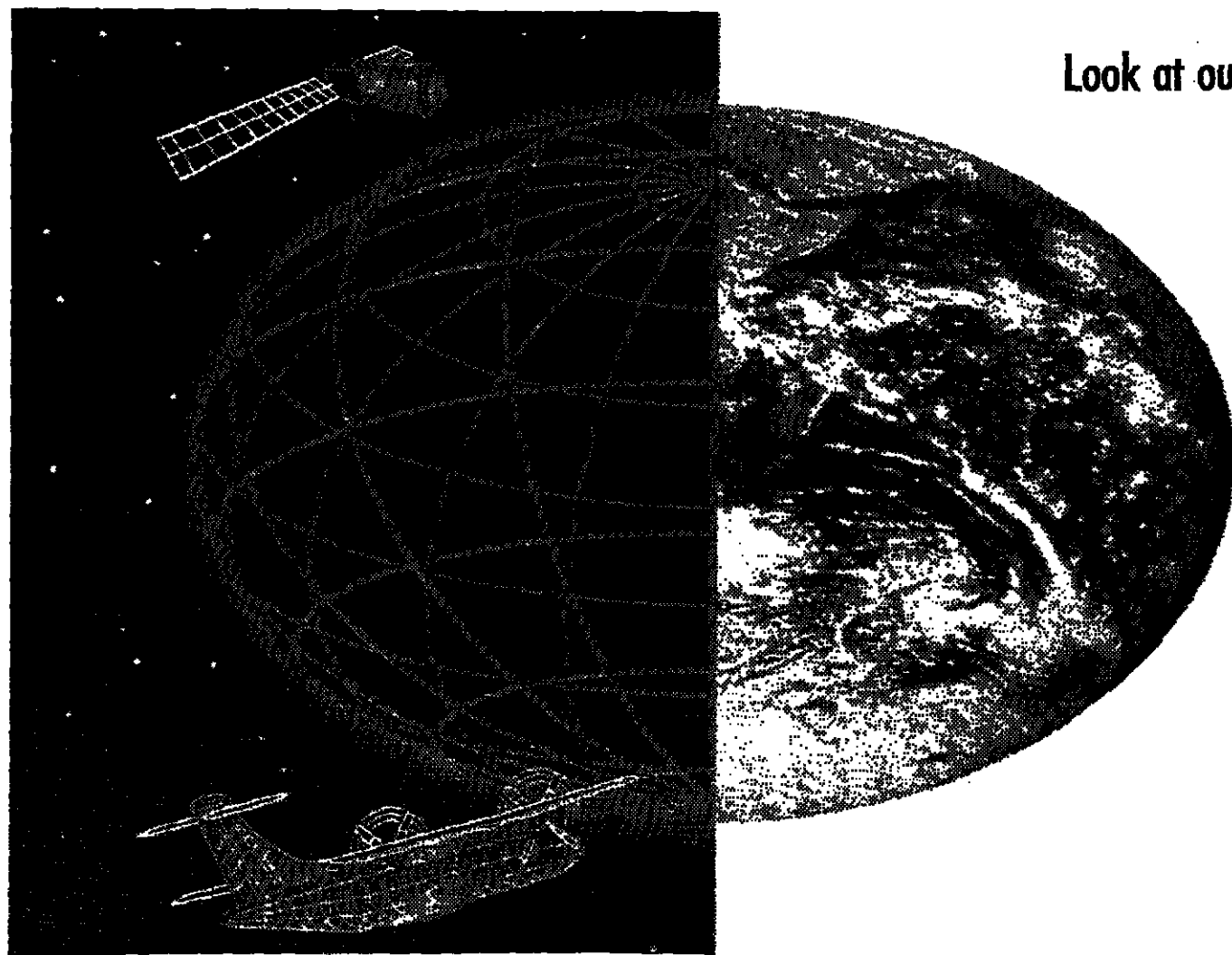
Shipbuilding is another area where Italy has successfully applied its expertise. The EC's Eureka program is currently considering projects proposed by ENEA in conjunction with Italy's largest shipbuilding concerns, Fincantieri and Ansaldo.

Both ENEA and CNR, the State Council for Research, are already involved in several Eureka programs, including a ground surveillance system that combines robotics with space technology. In an industrial pool with the British company Ferranti, ENEA has also embarked on research into underwater robots to be used in soundings and maintenance of off-shore oil and gas pipelines and oil rigs.

Another future ambition, says Professor Marino, is to create a totally automated base station, complete with its own geophysics and geo-chemical laboratory, and to collect and analyze environmental data in the Antarctic.

Janet Stobart

A E R I T A L I A



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T H E D Y N A M I C S Y S T E M .

Electronic Banking

Continued from Page 11

of market interest rate spreads, if you want good bottom line results you have to keep a close watch on both sides of the balance sheet," says Gianfranco Denotte, deputy general manager of the bank.

The network, on-line since its inception in the late 1970s, now includes 177 cash dispensers, 212 self-service terminals, about 250 POS machines and a home-banking service that counts approximately 3,000 clients. The cash dispensers are scheduled to be phased out under a modernization plan that will entail their substitution with more self-service terminals, which are programmed to perform a number of additional functions.

According to Giorgio Sacchi, area manager for organization and information systems at CARIFLO, the drive to automate bank services has met a mixed reception. "Even when there's no one using the ATMs, people often line up in front of the regular teller windows to carry out routine operations," he says. "It depends a lot on the market segment," says Rinaldo Riboldi, head of the organization department

at the bank. "The younger the person, the more demand for this type of service: a 50-year-old client has one or two plastic cards in his wallet, while the 30-year-olds have five or six."

With 1992 and the single market on the horizon, electronic banking investments will continue to grow, and the payment system as a whole will have to undergo further rationalization and integration. Much of the responsibility for payment network modernization has been entrusted to the Società Interbancaria per l'Automazione (SIA), which manages Italy's interbank infrastructure.

A key project due to be completed in coming months is the national automated clearing house, which will include electronic reconciliation of central balance accounts. "All Italian financial institutions are cooperating, and the result will be a system that creates economies of scale," says Ugo A. Assi, managing director of SIA. "An integrated network will avoid the risks of excess capacity and permit even smaller financial institutions to offer value-added innovative services to their customers."

Lisa Rosenthal

Michelangelo and Microprocessors: Computers Help Protect Italy's Art

Italy's cultural heritage is in trouble. Frescoes, paintings, sculpture and architecture have suffered more damage in the last 20 years than in their previous hundreds of years of existence, mainly as a result of pollution from modern industry and burgeoning traffic in Italian city centers.

Having dealt with extensive war damage, the Italians are expert restorers. But, as one art historian puts it, "the problem of preservation is colossal." Computers are helping in this daunting task and are popping up at project sites everywhere, including among the ruins of Pompeii and under Michelangelo's divinely frescoed ceiling in the Sistine Chapel.

Maria Francesca Monfredini, Milanese restoration expert, says: "The Italians want art to be protected. Government and private industry are sponsoring many projects, and restoration has become a boom industry. Once a craft, restoration is now a science."

"The quality of techniques has improved in the last few years, and while restoration can still be done without the computer, the computer

helps significantly," says Mauro Broggi, a director in Olivetti's cultural activity office. Restorers use computers for tasks from simple cataloging to advanced image processing. In the Vatican—a treasure of stunning works of art—curators are trying to eradicate the years of damage done by candle smoke, dust, humidity, traffic exhaust, poor previous restoration efforts, and even hazardous microclimate changes caused by the breath of visitors over the centuries.

The Vatican's frescoed Sistine Chapel ceiling is undergoing a meticulous restoration in which an Apollo workstation with Italcad software and a Calcomp plotter are key elements.

Restorers use the computer to digitize images from the ceiling and store them on computer along with

detailed information about the condition of the image. For example, with the computer the staff can view a to-scale line drawing of an image, zoom in on it and record information about cracks, discolorations and materials used in previous restorations.

Fabrizio Mancinelli, curator of the Sistine Chapel restoration, says: "We want to use the computer for more projects at the Vatican. We're impressed with what we can do with it and we're just beginning to learn its power."

Olivetti is sponsoring the restoration of Leonardo Da Vinci's treasured Last Supper in the Santa Maria della Grazia church in Milan. Most of the Last Supper restoration is being done by hand, but computers are used for microclimate control studies and evaluation of the



A detail from one of Michelangelo's frescoes in the Sistine Chapel at various stages of restoration.

damaging effects of the sun on the painting's surface.

Restorers used an Olivetti personal computer in another Olivetti project in Bologna called "Il Compianto" ("The Deceased"). The 15th-century sculpture is composed of six statues of grieving figures and the recumbent body of Christ, but the original configuration of the group was unknown. Restorers used the computer to calculate a perspective and determine respective positions of the figures, using the statues' facial expressions and gestures as a guide.

As a show organizer, Olivetti



moves hundreds of valuable pieces of art each year and often meets collectors reluctant to loan pieces to shows because of fears of the hazards of transport. To study the problem and help assuage collectors' fears, Olivetti and Alitalia Airlines conducted a study on air transport. Olivetti installed a Hewlett-Packard computer inside cases of art works transported by plane, monitored the results and came up with IATA-approved norms for transporting works of art by air.

In one of the world's biggest and most sophisticated restoration/pre-restoration projects, IBM and Fiat

are working together at Pompeii to create an information system that ties together territorial, cultural and geographic data on the site.

Martino Politi, the project's technologies director, says: "More damage has been done at Pompeii in the last 10 years than since the A.D. 79 quake." Factors include air pollution, numbers of visitors, inclement weather and a 1980 earthquake. "We only have two years, but when the project terminates, the technologies developed and information gathered will continue to serve curators here."

Janette Martin

Underwriting Research

Continued from Page 11

brains. Reform is urgently needed because education provides the basis for hopes of progress in our society," Mr. Pininfarina told industrialists in May.

He may have been thinking of Italy's trade in patents, licenses and know-how. The figures reveal a clear deficit, although the situation has improved since 1985's record when imports exceeded exports by 767 billion lire. The most recent figures published by the national statistics institute ISTAT show that the deficit was 631 billion lire (\$432.7 million) in 1987, with purchases amounting to 1,021 trillion lire and sales totaling 390 billion lire.

Licenses were the biggest item, with a 454 billion lire deficit arising from payments of 537 billion lire and receipts worth 83 billion lire. Patents cost Italy 110 billion lire but earned only 18 billion lire. In the area of technical assistance and know-how, Italy paid 236 billion lire in 1987 and received 173 billion lire. The story of deficit continued in trademarks, which cost 97 billion

lire and earned only 50 billion lire. The small trade in inventions gave rise to a deficit of 2 billion lire.

Only design yielded a surplus, with world appreciation of Italian style and line earning 62 billion lire while payments to foreigners cost 36 billion lire. As regards product sectors, ISTAT's analysis shows that only 9 of 58 categories recorded a surplus in 1987. The largest, 32 billion lire, was obtained by vehicles and materials for land transport. Computing equipment recorded the highest deficit: 150 billion lire.

Addressing Milan's Polytechnic in April on the subject of Italian industry and the challenge of innovation, Mr. Pininfarina noted that research spending in the United States and Japan absorbs about 3 percent of gross domestic product, while the average for Europe is under 2 percent.

ISTAT estimates that total Italian expenditure on pure, applied and development research in 1988 amounted to 13.8 trillion lire, equivalent to about 1.3 percent of GDP. While it represented an increase of 10.6 percent on the previous year's

expenditure, Italy still lags behind other industrialized countries.

The situation would be worse but for the key role played by the state. ISTAT estimates that, in terms of spending, 43.5 percent of total research last year was undertaken directly by the state and public bodies.

Over 80 percent of this research is undertaken by universities and research bodies, with the former enjoying about one third more funding than the latter. Figures for 1986 show that universities spent 2 trillion lire while spending in research bodies amounted to 1.4 trillion lire.

In addition to its direct involvement, the Italian state also provides further support through legislation aimed at encouraging research activities in industry. Law 46, enacted seven years ago, is the main legislative instrument and provides financing for a fund for applied research and a fund for technological innovation. Up to 80 percent of the cost of approved programs may receive financing in the form of low interest loans.

Confindustria reports that, at the end of last year, about 4.5 trillion lire had been committed from the innovation fund and a further 5 trillion lire from the research fund.

In common with other manufacturing concerns, operating companies owned by Italy's three state holding corporations have turned to these financing resources. And given extensive involvement in the aerospace sector by companies within Istituto per la Ricostruzione Industriale (IRI), the largest state holding corporation, and Ente Partecipazioni e Finanziamento Industriale (EFIM), the smallest, some subsidiaries have also had the chance to use a funding law approved in December 1985. This aims to promote the development of the aeronautical industry and increase its competitiveness.

Aeritalia, the IRI company engaged in aircraft manufacture and space activities, and Augusta, the EFIM subsidiary whose interests are mainly in rotary wing, are Italy's two leading aerospace companies.

Both holding corporations control several operational companies that dedicate substantial resources to research. IRI has Selenia defense and civil electronic systems, STET-SIP telephones, Italtel telecommunications (now enjoying a special relationship with AT&T) and the Italo-French SGS-Thomson microelectronics joint venture. EFIM has Oto Malaria military systems



Sergio Pininfarina, chairman of Confindustria.

and Breda transportation systems.

Research at Ente Nazionale Idrocarburi (ENI), the state hydrocarbons holding corporation, is more centralized. Five years ago the corporation defined three areas toward which efforts should be directed: technologies for energy diversification, initiatives in chemicals research and environmental protection.

Figures from ISTAT show that public sector companies, principally those belonging to the three state holding corporations plus the state

electricity corporation ENEL, are major spenders on research. The statistics institute estimates that the public part of the corporate sector spent 3.2 trillion lire last year, equal to 23 percent of total research spending and 40.7 percent of spending by the corporate sector overall.

The statistics reveal that the publicly owned part of Italy's corporate sector is playing an important part in stimulating innovation and technology through research. Though the contribution by the private sector is larger, 4.6 trillion lire last year, its weight is less than might be expected.

Certain private sector companies do hold vanguard positions. Fiat, Europe's leading automobile maker and Italy's largest private sector corporation, has a massive commitment to research. Olivetti, Europe's biggest office automation company, the Pirelli tire and cable group and the Montedison chemicals company all make major contributions to applied and development research.

But the overall efforts of private industry are diluted by the fragmented character of the manufacturing sector, which consists of many small- and medium-sized companies.

David Lane

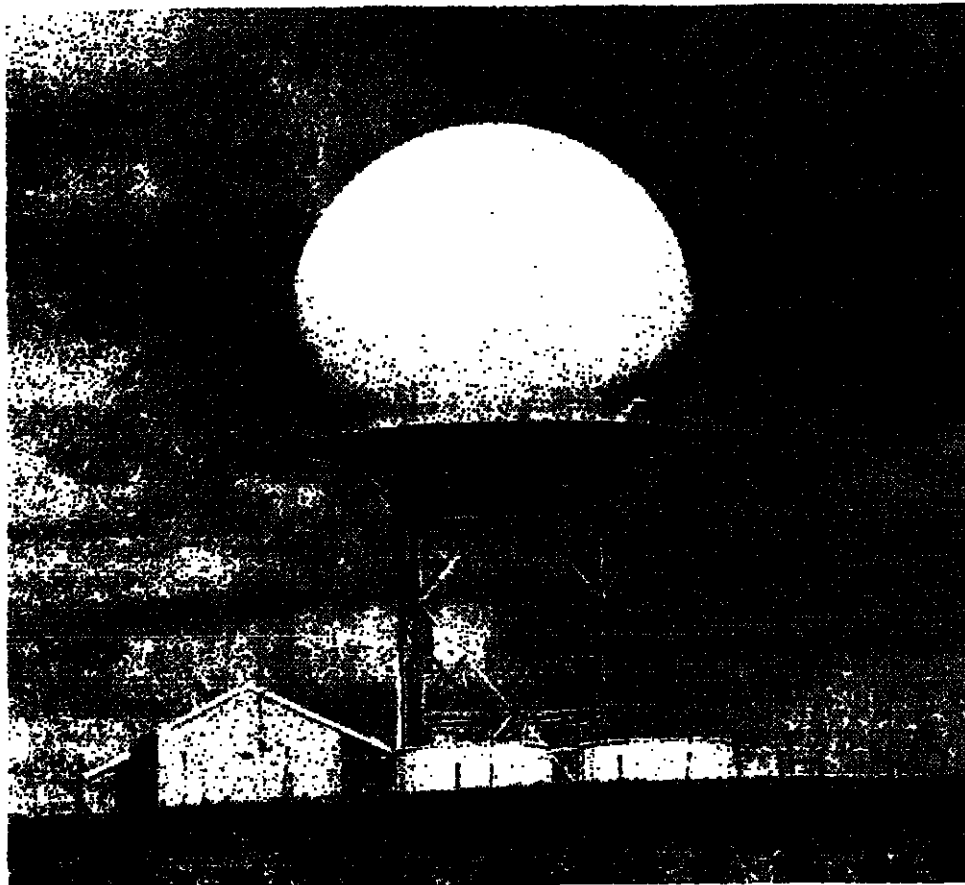
Selenia: an Italian reality in the electronic world

THE COMPANY OPERATES IN THE FIELD OF RADAR SYSTEMS, DEFENCE SYSTEMS, INFORMATICS AND TELECOMMUNICATIONS SYSTEMS

Italy is experiencing a boom in a field which for the non specialist may be considered unexpected. Fashion, shoes, cars have long been the areas in which the Italian flair has been world famous. However, professional electronics has become one of the areas in which Italy has begun to play a major role. Italy was one of the first European countries to sell radars to the United States Forces: these sales came from Selenia in team with Sperry (now Unisys Corporation).

Selenia Elsas Group

Selenia is the leading company of RSE (Selenia Elsas Group), a complex of nine closely coordinated Italian industries, of the State owned IRI/FINMECCANICA holding, which operate in the field of large systems for professional electronics. Together the companies employ 13,000 people, 50% of which are graduate engineers or technicians. The sphere of activity of the group ranges from defence systems and their related logistics to air traffic control; from computer aided design to integrated space systems; from factory and services automation to process



East Sale (Australia). An Air Traffic Control Radar installed by Selenia



Air Traffic Control Center developed by Selenia

control; from pollution control to biomedical electronics. Selenia operates in the field of radar systems, defence systems (for land, sea and air applications), information technology and telecommunications systems. More than 70% of the production goes to

the armed forces of Italy or abroad. Selenia employs 7000 people, situated in 6 plants around Italy. About 17% of the turn-over is invested in research and development. The Company also collaborates with scientific bodies of the first rank, taking part in some of the

most significant international research programmes, such as Esprit and Eureka.

Air traffic control in 40 countries

Selenia has reached a particular high level of

technology in all the sectors in which it operates. For example, it is one of the world's leaders in the production of radar systems for air traffic control: in 40 countries worldwide, take off and landing are courtesy of the Company's systems. In the last year, Selenia's

air traffic control systems have been ordered by Australia, Argentina, Colombia, Finland, Hungary, Qatar and Somalia. In each case, the Selenia system prevailed over heavy international competition. Selenia boasts almost thirty years' experience in

the air traffic control sector. The Company's first foreign customer was Sweden, which bought an ATCR 2 system for Stockholm Airport in 1961. Swedish satisfaction was proved by subsequent orders for Malmö, Jönköping, Sundsvall and Alingsås airports. Next on

the customer list came Norway, then India, Austria, and other countries throughout the five continents. In 1981 Selenia, having identified significant business opportunities in the Australian market-place, chose Ansett Technologies as an ideal wholly Australian partner. The partnership with Ansett Technologies, a division of Ansett Transport Industries, has been both successful and enduring, culminating in the formation of a joint company, Ansett-Selenia, in 1987. Ansett-Selenia will be the vehicle for the thrust of the combined Selenia and Ansett efforts in the domestic and export market for defence and professional electronics.

Environmental protection

It is on the experience gained in air traffic control that Selenia has drawn in order to diversify into the related civilian sectors of maritime traffic control and meteorological radars, and to contribute to environmental protection with its agricultural meteorology systems and water and atmospheric pollution measuring systems.

Italy Takes Off With New Space Agency

According to Italian Space Agency President Luciano Guerriero, the amount that Italy spends on space exploration has grown faster than that of any other country because of the broad consensus between scientific, political and business leaders.

Launched just over a year ago, Italy's most significant space effort isn't a satellite or space station; it's the Italian Space Agency (ISA). Created in May 1988 to promote, coordinate and manage Italy's space programs, its initial budget was set at about \$620 million. The figure is expected to top \$1 billion in the course of the 1990s.

ISA's creation marks Italy's transition to world-class participation in space exploration. In the early 1970s, the European Space Agency (ESA) was the primary focus for Italian activity, and it remains important even today. Italy is the third largest contributor to ESA, paying about 15 percent of the organization's budget each year. Over the next 10 years, that contribution will be worth about \$640 billion.

Since 1980 Italy has been guided by a national space plan that has prepared it to take on roles of increasing leadership in ESA programs. Between 1984 and 1985 expenditures under the plan more than tripled to around \$160 million per year. Head of the space initiative was Luciano Guerriero, who now serves as president of ISA.

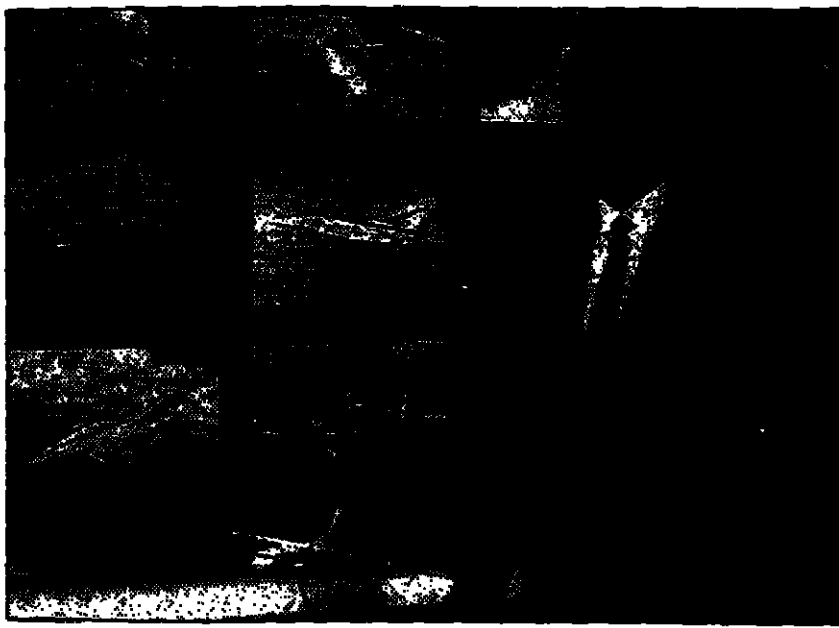
The three principal missions of

the agency, according to Mr. Guerriero, are basic research, the commercial applications of space, and large-scale multinational programs such as those of ESA. One of the latter, Hipparcos, will be launched later this year. The satellite will produce a catalog of well over 100,000 stars and improve the precision of existing measurements tenfold.

Columbus, Europe's contribution to Space Station Freedom, the international space station, is scheduled for orbit in the next decade. Italian firms are working on two elements — the attached pressurized module and the free-flyer lab (so called because its pressure-free environment is suitable for microgravity experiments).

Italy is also the home of ESA's ESRIN (originally the European Space Research Institute) facility in the town of Frascati near Rome. ESRIN's Information Retrieval Service is the most powerful automated documentation retrieval system in Europe.

Also part of ESRIN is Earthnet, which collects, processes and distributes images and data from remote sensing satellites. To handle all this information, it has its own



Fausti Cereti, vice president of Aeritalia, poses in front of a series of shots showing the company's latest flight technology in action.

software and retrieval language, with many sophisticated methods of searching for information.

From data retrieval to telecommunications is a logical step, and Italy has a primary role in the development of ESA's Data Relay Satellite set for liftoff next year.

The commercial applications of telecommunications are equally important. ITALSAT, also scheduled for launch in 1990, will be the first satellite to boast a true central telephone exchange on board. ITALSAT-2 is already on the drawing boards.

But the event that most dramatically underscores the nation's involvement in space will take place on January 31, 1991 when the first

Italian astronaut will be lifted into orbit aboard the Space Shuttle. Shortly afterward, in mid-1991, LAGEOS-2 will be launched. Like its predecessor, orbited in 1976 and still in service, LAGEOS-2 will help scientists study the origins of the continents and movement of the earth's layers. The launch system, IRIS, is completely Italian-designed.

Says ISA President Mr. Guerriero: "Our level of investment has grown more rapidly than that of any other country, [but] this spending is for civilian endeavors only, not military ones. We believe that space exploration can serve as a force for peace for all humanity."

Claudia Flisi

Aerospace: Innovation

Continued from Page 11

awarded a \$300 million contract from the Italian Air Force to modernize the country's air-defense network. An innovative radar system is at the heart of the project, using advanced systems architecture and sensors to improve the established sequence of information gathering, and processing decision making.

The same sequential process, harnessing appropriate technology, can form the basis for fighting forest fires, monitoring air pollution levels or detecting strong winds or flash floods well in advance. Such systems are all under development by Selenia. The company devotes more than 19 percent of its revenue to research and development, far above the Italian national average.

Italy's Agusta, makers of helicopters, aircraft and aerospace systems, spends 25 percent of revenue on R&D. Its efforts pay off — it is the lead firm in work on the naval version of NATO's helicopter for the 1990s, the NH90. Moreover, Europe's combat copter for the year 2000, the Tonal, is based on Agusta's A129. In this project Agusta will be working with partners from the United Kingdom, Netherlands and Spain.

On the civilian side, Agusta is involved in the development of a "convertiplane," a small-to-medium-sized aircraft that combines a helicopter's vertical takeoff and landing with the speed and altitude of a conventional plane. It is joined by Aeritalia in this venture, along with European partners from the U.K., France and Germany.

This sort of "go-whir" technology is matched by another Agusta project: a flight helmet with display sight systems that enable helicopter pilots to fly night missions more safely.

Technological razzle-dazzle isn't confined to the big three of Italian aviation and aerospace, however. A European Community study indicates that the value of this industry throughout Europe should increase by 40 percent in real terms in the next 20 years. The EC foresees possible breakthroughs in supersonic planes, planes with changeable propellers, new composite materials and on-board computer intelligence, among others. And where imagination is the vital element, large companies have no monopoly.

Rinaldo Piaggio, a medium-sized aircraft manufacturer, has taken a conventional market segment like executive jets, and changed the rules of the game by introducing a new turboprop aircraft to compete against the jets.

The Avanti is a formidable competitor. It flies as fast as some jets (460 mph) and delivers a jet range of 2,100 statute miles (3,335 km). But it provides the fuel economy and landing efficiency of a prop plane. It accomplishes all this through the use of lightweight materials, an aggressively futuristic aerodynamic shape and a unique three-lifting surface design (main wing, tail and a special third wing on the sleek nose of the aircraft). There's already a waiting list for buyers, although formal orders can't be taken till the plane is certified late this year.

Claudia Flisi

State Incentives Target the South

At the annual convention of the Italy-American Chamber of Commerce, potential high-tech developments within the framework of an integrated European market were heralded as the new "Eldorado" of the Italian economy.

Emilio Iodice, Minister Counselor for Commercial Affairs at the U.S. Embassy in Rome, was categorical about the Mezzogiorno's role in upcoming high-tech developments. "With the new European members of the Community, such as Spain, Portugal and Greece and the emergence of the Mediterranean basin nations, in the next several decades Italy and specifically the Mezzogiorno has a definite role to play, particularly in high-technology industries such as informatics."

Not everyone is so optimistic, despite important agreements guaranteeing substantial investments in the so-called Tiburtina Valley outside of Rome and the area around Naples. These deals, involving interests such as Fiat, Olivetti and IRI, the large state holding company, as well as the multinational Texas Instruments, have raised specific hopes. But there is still general concern over the capacity of the Mezzogiorno, the eight regions of the south including parts of Lazio and the Marche, to fully integrate into national and European markets.

A cry of alarm was recently sounded by the president of the Bank of Italy, Carlo Azeglio Ciampi. In his annual speech on May 31 concerning the state of the Italian economy, Mr. Ciampi remarked, "In recent years the geographical disparities in terms of industrial productivity have been increasing as opposed to diminishing: in the South, the value-added per unit employed is today almost 20 percent less than in the Center-North." This productivity gap, he added, is compensated for by the state financing of *onerti sociali*, the pension and social security taxes that an employer pays for his workers.

This form of financing is just one of the subsidies that a company can receive when investing in the Mezzogiorno. According to the legge 64 (Law 64), passed in

March 1986, there are five basic areas of aid: an outright grant, in most cases equivalent to 40 percent of the investment; low-interest loans; property and income tax reductions of up to 100 percent for new companies; the financing of the *onerti sociali*, which trims a further 20-22 percent off labor costs; and, finally, the so-called service subsidies.

But three years have since passed. Almost all of the funds have been exhausted, or at least theoretically allocated, and a heated debate has emerged around the onerous delays in implementing Law 64, and beyond this, the entire philosophy behind regional aid.

In spite of the overall bleak picture concerning state financing, there has been significant development in the Mezzogiorno, and in particular in the southern regions of Lazio, Abruzzi and Campania.

Not only has this area received major investments from foreign companies such as Texas Instruments, but in recent months major agreements have been made with Olivetti and Fiat (which will invest over 800 billion lire), as well as with the IRI. On March 21 the large state holding company signed a contract for investments totaling over \$1 billion, more than two-thirds of which will be financed by regional rather than state aid. In the case of IRI, investments will be concentrated in electronics (48.4 percent), telecommunications (19.4 percent) and product innovation (17 percent).

Courtney Walsh

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Wherever it is, we'll find it.

OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.

But, it is necessary to be prepared to wrestle this treasure from the earth's most secret strongholds, using the latest continuously evolving technology, and to venture into hostile, inaccessible places.

Agip, Italy's national oil company, took up this challenge sixty years ago, probing into the origins of the earth, experimenting with new techniques, and devoting to these activities human and economic resources that are always up to the difficulties to be overcome.

Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.

Even where no-one has ever reached.



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Deep thinking. Top results.

ECONOMIC SCENE

The Market Is Euphoric,
But the Fed Still Worries

By LEONARD SILK

NEW YORK — Is the U.S. economy, with Alan Greenspan of the Federal Reserve at the controls, coming in for a soft landing? The euphoric markets have shown in recent weeks — Thursday's 28.36-point slide in the Dow Jones industrial average notwithstanding — would seem to indicate that many investors think so. Investors Relations Co. of New York said, "The recent euphoria in the stock market is right in line with what appears to be an economic consensus: Inflation is back under control, interest rates are coming down, and we're headed for a soft landing with no real recession, thanks to marvelous timing on the part of the Fed."

On the basis of what Mr. Greenspan himself said at a closed-door meeting of bankers at the International Monetary Conference in Madrid on June 9, the Financial Times of London concluded that the Fed chairman "is optimistic that the U.S. economy can achieve a soft landing."

But a spokesman for Mr. Greenspan denied this week that his chief had concluded that the economy would make a soft landing. Rather, according to his notes of the Madrid talk, Mr. Greenspan said, "The evidence that the rate of growth was slowing and inflationary pressures easing was becoming more credible."

But Mr. Greenspan added, the spokesman said, "That did not necessarily suggest that the landing is soft."

Instead, he warned of the continuing need to worry about inflationary dangers. "The very presumption that the business cycle has been tamed could cause a further sharp fall of interest rates," and that in turn "could induce an acceleration of capital investment, thus creating strains for the economy and a re-emergence of inflationary pressures," he said.

In recent days, some Fed watchers have concluded that the central bank, having first engineered a rise in interest rates and then a decline in rates, is now back in its normal state of worrying about a buildup of inflationary pressures.

The recent surge of the dollar could also bring renewed pressure on the Fed from the White House to lower interest rates as a means of keeping a too-strong dollar from worsening the trade deficit. The dollar fell sharply Thursday, however.

ALTHOUGH to stave off pressures for further monetary ease, the Fed has been advertising Mr. Greenspan's strong interest in an equation, a tool for predicting (and preventing) inflation in the long run. The tool, known as P*, was developed at the Fed by three research economists, Jeffrey J. Hallman, Richard D. Porter and David H. Small.

In an interview Thursday, Mr. Small said, "It is not a new tool. It would be ludicrous to say we discovered the theory that changes in the money supply cause inflation." What they have tried to do is make the old quantity theory of money operational for forecasting prices in the long run.

This means using the right definition of money (M-2, a broad definition of money), assumes that the average rate of growth of the economy over time is predictable and that velocity can be treated as a constant in the long run.

Mr. Small says that though swings in velocity occur with changes in the business cycle, interest rates and other factors, velocity constantly returns to a long-term average rate over time.

Referring to "the assumption that the velocity of M-2 will return to its mean level," Mr. Small acknowledges that "some members of the staff believe this is more plausible than others."

Assuming the assumptions are valid, the equation of exchange, he asserts, tells the direction of the future price level.

The Fed concedes only that signs of easing inflation are becoming more credible.

Gerber's Ad Strategy for New Infant Formula Draws Medical Criticism

By Michael Freitag

New York Times Service

NEW YORK — The leading U.S. maker of baby foods, Gerber Products Co., has announced plans to re-enter the \$1.6 billion infant-formula market in September in a joint venture with Bristol-Myers Co.

Gerber said Thursday that it would break with tradition by marketing its new Gerber Baby Formula almost exclusively to consumers rather than to doctors.

The decision was made in part because more mothers give up breast-feeding earlier as they go back to work and because research showed that half the new parents were choosing their own formula.

The announcement was criticized by some members of the medical community. They said Gerber's advertising campaign

would undermine efforts to encourage breast-feeding as the best method of infant care.

Last summer, according to Dr. Joe Sanders, the associate executive director of the American Academy of Pediatrics, the Carnation Co., a subsidiary of Nestlé SA, "opened what appeared to be a floodgate."

When it began to advertise its new infant formula, Good Start, directly to consumers, Carnation discontinued the campaign under criticism from the pediatric association and other groups.

Dr. Sanders said his association was not opposed to Gerber's product but to the marketing strategy.

"We feel very strongly that breast-feeding is the optimal method for most babies," he said, adding that health professionals

can recommend the formula best suited for each child.

Like other leading formulas, Gerber's product would not be mixed to a prescription, but rather could be bought as a concentrated liquid, in powder form or as a ready-to-use liquid.

Gerber said its advertising would strongly endorse breast-feeding, but would suggest that its own formula was the next best thing.

A print advertisement and a television commercial shown at the press conference concluded with the slogan: "If it doesn't come from you, shouldn't it come from Gerber?"

But Dr. Sanders said he was "concerned that there may be a real, or inadvertent, subliminal message that may dissuade

mothers from continuing to breast-feed."

Under the new marketing agreement, Gerber would sell the milk-based formula and Bristol-Myers would manufacture it. Gerber would receive royalties and commissions from Bristol-Myers for the use of its name. Gerber holds about 72 percent of the baby-food market, analysts said.

Gerber did not disclose how much would be spent to market the formula, which would be sold primarily in stores rather than pharmacies or clinics. Although Gerber and its advertising agency, J. Walter Thompson, are producing the ads, the cost will be borne by Bristol-Myers.

Robert L. Johnston, Gerber's executive vice president, said that the company hoped for about 10 percent of the \$850

million market for what he termed routine infant formula. Gerber expects profits from its new venture to range between \$1 million and \$4 million annually by 1992.

The market is currently dominated by Abbott Laboratories Inc., with 48 percent and Bristol-Myers, which has 35 percent with formulas like Enfamil and Proso-bee, produced by its Mead Johnson division.

"It seems to me that Gerber is just going to be a front man for Bristol-Myers," said William Leach, an analyst at Donaldson, Lufkin & Jenrette. "The risk-reward ratio is terribly in favor of Bristol. If it doesn't work out, it's Gerber's name that gets dragged in the mud, not theirs."

Gerber tried to enter the market in 1967. Mr. Johnston said, but the formula, Modilac, was discontinued in 1972.

Surging Prices
May Deter Move
On Rates by Fed

Compiled by Our Staff From Dispatches

WASHINGTON — The Labor Department said Friday that U.S. consumer prices rose a sharp 0.6 percent in May, a surge that apparently rules out an immediate softening of U.S. interest rates.

The rise in the Consumer Price Index, the government's primary gauge of inflation at the retail level, was powered by strong increases in food and gasoline costs.

The rise followed an even stronger 0.7 percent increase in April that was the largest jump in more than two years, the Labor Department reported.

During the first five months of the year, consumer prices rose at an annual rate of 6.7 percent, a significantly faster pace than the 4.4 percent increases registered in 1987 and 1988.

Inflation at the wholesale level has been even stronger, rising at an annual rate of 9.4 percent so far this year.

"Reports of inflation's demise have been grossly exaggerated," said David Berson, an economist at the Federal Home Loan Mortgage Corp. "The core rate doesn't appear to have subsided and, with the economy running close to full employment, will edge up as the year goes on."

Despite the persistently strong

Dollar Is Mixed
In Slow Session

The dollar closed mixed in New York on Friday, despite a report that showed U.S. consumer prices up 0.6 percent in May. The currency was noticeably weaker against the yen.

Traders were hesitant to take big positions after extremely volatile trading on Thursday, and volume was thin. Earlier, rumors that the Bank of Japan and Bundesbank would sell dollars Monday depressed the U.S. currency. (Page 19)

price increases, some other analysts believe inflation may begin to level off and that it could start to drop again late this year.

"It's not a good report, but we can look forward to a plateauing of this increase," said Stacy Kottman, research director at the Economic Forecasting Center at Georgia State University. "In the last half of 1989, the range will come down."

The price report will be closely scrutinized by the Federal Reserve Board, which last week slightly

On Line: Electronic Operator

By Calvin Sims

New York Times Service

NEW YORK — Human telephone operators are rapidly disappearing in the United States, hastened on their way by new equipment that can both recognize and mimic the human voice.

In the latest twist, several regional and local telephone companies are beginning to offer customers an electronic operator system that allows them to make, through a computer, collect calls and calls billed to a third party.

In May, Michigan Bell became the first company to offer such a service. BellSouth Corp., which serves the Southeast, will introduce the system later this year, and Nynex Co. plans to offer a computerized operator system in New York and New England late next year.

The telephone companies contend that the systems will greatly reduce the need for human operators and the cost of completing calls at a time when the number of collect and third-party calls is increasing.

Few persons foresee the day when human operators will be completely eliminated, but union leaders say that the new technology will provide an excuse for layoffs, and others question the quality of service provided by electronic operators.

The savings will be only for the companies; calling rates are not expected to fall.

"This was bound to happen sooner or later because it's just too expensive for phone companies to keep completing these types of calls with human opera-

A Shrinking Pool of Operators

Changing Technology ...

1980's introduction of direct long-distance dialing. Operators no longer make connections for such calls.

1970's implementation of automatic distribution system for operator-assisted calls that significantly reduces handling time for each call.

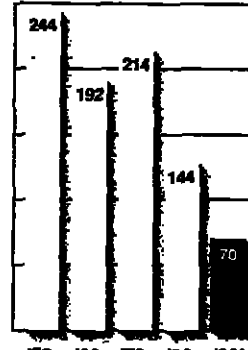
1975 Computerized directory assistance systems mean operators no longer have to flip through telephone books.

1980's mechanization of calling card system that allows customers to charge calls without operator intervention. Introduction of audio response units that state phone numbers for directory assistance.

1989 introduction of electronic operator systems that handle collect and third-party billed calls.

... And the Results

Number of telephone company operators in the U.S., in thousands.



Source: Federal Communications Commission, Communications Workers of America

The New York Times

Spain Seeking
EMS Seat

Ministry Expects
Immediate Entry

Compiled by Our Staff From Dispatches

MADRID — Spain expects to become a full member of the European Monetary System beginning Monday, Finance Minister Carlos Solchaga said Friday.

Mr. Solchaga hailed the decision to integrate the peseta in the EMS's exchange-rate mechanism as "the most transcendent decision" since Spain's entry into the European Community in January 1986.

The 12 EC finance ministers will meet Monday to make a final decision on the Spanish move, a ministry statement said.

The decision by Spain to join the EMS more than one year before the scheduled date of July 1990 — as Mr. Solchaga had announced as recently as June 6 — was made public by the Finance Ministry after a regular cabinet meeting presided over by Prime Minister Felipe Gonzalez.

The decision was announced just 10 days before an EC summit in Madrid, at which the controversial issue of moving toward monetary union and monetary union will top the agenda.

Spain, like most EC governments, supports the idea of monetary union, but Prime Minister Margaret Thatcher of Britain has firmly rejected it.

Mr. Solchaga said the peseta would join the EMS exchange rate mechanism with a 6 percent fluctuation band, like that for the Italian lira.

EMS currencies are required to maintain their values against each other on foreign exchange markets within certain ranges, in the interest of monetary stability.

All other currencies in the 12-nation European Community except the British pound, the Portuguese escudo and the Greek drachma, are members of the exchange rate mechanism, a grid of semi-fixed exchange rates that restricts fluctuations between its members to 2.25 percent, except for Italy.

"One of the most important things is that from now on there will be great stability in exchange rates," Mr. Solchaga said. "Sometimes in the recent past Spain suffered speculation which forced the peseta higher than was necessary."

The Spanish statement said membership in the exchange rate mechanism would reinforce the government's efforts to contain inflation, now at a year-to-year rate of 6.9 percent.

Spanish economists had expected the peseta would have to be devalued before entry, for which Mr. Solchaga last week set a deadline of July 1, 1990.

But the Bank of Spain governor, Martinez Rubio, said he saw no need to engineer a substantial devaluation of the currency.

In Brussels the EC's executive body, the EC Commission, hailed Spain's decision.

Observers in Brussels said it would put pressure on Britain, highlighting the pound as an even more conspicuous absentee from the 10-year-old system.

(Reuters, AP)

Currency Rates

Cross Rates										June 16			
	\$	S	D.M.	F.P.	L.S.	Gdr.	L.F.	S.F.	Yen				
Amsterdam	2.485	1.4405	1.757	1.9718	1.132	*	1.54	1.28	160.25				
Bombay	42.00	4.685	20.91	4.145	2.8397	*	18.85	*	24.845				
Frankfurt	3.2445	2.364	1.925	1.2946	1.230	1.388	4.779	1.1395	13.545				
London	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000				
Madrid	1.6700	2.3225	25.73	21.75	*	44.55	2.644	1.6425	9.495				
New York (C)	1.54 B	1.1825	4.2355	1.4975	1.22	41.15	1.178	1.4425	14.85				
Paris	4.815	1.424	3.709	1.449	1.77	3.745	1.622	2.355	46.67				
Tokyo	14.20	24.57	72.27	21.44	1.170	47.46	1.882	1.622	1.178				
Zurich	1.718	1.649	1.88	1.2943	1.31	3.746	1.215	*	*				
1 EURO	1.2634	1.6239	2.1069	2.102	1.5824	1.21	43.39	1.785	17.258				
1 SCHW	1.2634	1.6239	2.1069	2.102	1.5824	1.21	43.39	1.785	17.258				
* Commercial/Trade; * To buy one pound; * To buy one dollar; * Units of 100; N.D.: not available; N.A.: not available.													
Other Dollar Values													
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$				
Australian	150.64	Phil. pesos	4.447	Mex. pesos	238.00	S. Afr. rand	1.29	Serbia rouble	1.29				
Brazil	1.00	Swiss francs	2.2037	N. Zealand	1.33	Spain peseta	166.64	Sri Lanka	1.29				
Canad. schill.	1.11	Thais bahts	2.78	Mal. malays	5.2995	S. Korea won	128.90	S. Korea won	128.90				
Dutch guilder	1.2409	Indian rupees	16.52	Hong. peng	7.191	Swed. krona	4.66	Taiwan dollar	2.46				
French franc	1.1945	Indo. rupiah	16.52	Phil. peso	21.35	Thailand baht	25.79	Thailand baht	25.79				
Chinese yuan	2.7221	Indo. schilling	1.43	Port. escudo	165.20	Turkish lira	289.20	Turkish lira	289.20				
Danish krona	7.727	Israeli shilling	0.2551	Soviet ruble	3.748	USSR ruble	2.46	USSR ruble	2.46				
German mark	3.9632	Israeli shilling	0.2551	Sri Lanka	1.29	Yugosl. dinar	1.29	Yugosl. dinar	1.29				
		Israeli shilling	0.2551	S. Korea won	128.90								

slightly more oil than Britain in May, the first time in 13 years it has led in monthly output, the broker James Capel & Co. said Friday.

Capel estimated that Norway had pumped an average of 1,538,700 barrels daily, just ahead of Britain's 1,538,494. British output in May of last year was more than twice Norway's.

A series of accidents cut British production, beginning with an explosion that destroyed the Piper Alpha oil platform and culminating in a six-week shutdown.

[illegible]

Eastern Deal With Midway Shuts Gate on USAir

Compiled by Our Staff From Dispatches
NEW YORK — Eastern Airlines announced Friday that it had agreed to sell eight gates at Philadelphia International Airport and other assets to Midway Airlines Inc. for \$206 million.

Eastern announced the move in a federal bankruptcy court hearing on an earlier agreement, under which it was to have sold the Philadelphia gates and two U.S.-Canadian routes to USAir Group Inc.

But Eastern, a unit of Texas Air Corp., asked U.S. Bankruptcy Court Judge Burton R. Lifland for permission to terminate its agreement with the Washington-based USAir and replace it with a more extensive agreement with Chicago-based Midway.

In addition to the gates in Philadelphia, Eastern agreed to sell Midway its routes from Philadelphia to Toronto and Montreal, slots at air-

ports in New York and Washington, and 16 McDonnell Douglas DC-9 jetliners. The additional slots — which offer takeoff and landing rights — include two at New York's La Guardia Airport and two at Washington National Airport.

In Chicago, Midway said Friday that it expected to double its annual revenues to more than \$1 billion in two to three years as a result of its proposed acquisition in Philadelphia. Midway predicted 1989 revenues would exceed \$500 million, up from \$412 million in 1988.

The transaction is subject to approval by the bankruptcy court.

Midway is a regional carrier based at Chicago's downtown Midway Airport. The airline currently flies to 51 destinations.

Bruce Zirnisky, an Eastern attorney, said the deal with Midway was more favorable financially than the planned sale to USAir. The USAir deal would have brought in \$85 million.

In addition, the Justice Department recently said it planned to file an antitrust suit blocking the proposed sale to USAir of Eastern's airport gates in Philadelphia and its Philadelphia-Toronto and Philadelphia-Montreal routes.

Michael Boudin, acting antitrust chief for the Justice Department, had said the sale to USAir threatens to lessen competition in airline service between Philadelphia and other cities.

Eastern filed for protection from creditors on March 9, five days after its mechanics went on strike and pilots and flight attendants joined the action, virtually grounding the airline.

The sale to Midway is part of Eastern's plan to sell \$1.8 billion of assets in a reorganization. It recently completed the sale of its former Northeast shuttle to the developer, Donald J. Trump for \$365 million. (Reuters, AP)

Friday's NASDAQ Prices

Prices as of 4 p.m. New York time.
The table contains the closing prices of the 100 most actively traded securities on the NASDAQ market as of 4 p.m. New York time.
It is updated twice a year.

Source: The Associated Press

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Brazil Bows to Inflation Pressures

Resters
SAO PAULO — The Brazilian government has reinstated indexation of the economy and daily currency devaluation, thus bowing to inflation and ending a recovery plan started in January.

"We lost the battle against our expectations," Finance Minister Malson Ferreira da Nobrega said, referring to the failure of the plan to cut inflation.

Mr. Nobrega introduced a new monetary correction instrument, the national treasury bond, the NTN, which will index financial operations daily in accordance with inflation. The NTN is a new version of the obligation of the national treasury, which was abolished under the recovery plan in January.

Daily devaluations of the cruzeiro against the dollar have been reintroduced to ensure that the exchange rate reflects price increases.

On Jan. 15, President José Sarney started the recovery plan, freezing prices and wages and creating a "new cruzeiro," equivalent to 1,000 cruzeiros, that would have a value about the same as the dollar.

A central aim of the package was to break away from a 25-year Brazilian tradition of monetary correction, indexation of the economy according to past inflation.

It was the third time that Mr. Sarney's administration had started an anti-inflation plan. The two previous attempts, in 1986 and 1987, failed, and last year prices shot up a record 934 percent.

Analysts said the measures showed that the government had accepted that its recovery plan was a failure and that it had resigned itself to living with high inflation.

A Finance Ministry spokeswoman said: "The measures are not designed to bring down inflation, but to stabilize it at a level that the economy can stand."

In early March, Mr. Sarney landed the plan, saying it had won its first round to beat "cruel inflation." In February, inflation was down to 3.6 percent against 28.8 percent in December.

But prices crept up monthly, with inflation in March at 6 percent, in April at 7.3 percent and in May at 9.9 percent.

Government officials are predicting an inflation rate of 20 percent in June, Mr. Sarney said this week in a television interview that the summer plan's only achievement had been avoiding hyperinflation.

Leading Brazilian economists say the threat of hyperinflation still remains.

"There are two alternatives, inflation stabilizing at 20 percent a month or hyperinflation," said Edmar Bacha, an economist.

Newspapers reported that the Brazilian government was studying a plan to avoid another price explosion.

The newspaper Jornal do Brasil said that among the possible measures was an increase in interest rates to stimulate savings and keep investors from cashing in their cruzeiros for dollars, gold and real estate.

Brazilians are observing with unease the economic chaos in neighboring Argentina, which led last month to a wave of riots.

Economists there have said the public sector deficit is the prime cause of Argentina's hyperinflation. Living costs rose a record 78.5 percent in May.

Brazil's internal debt is said to be \$60 billion. The Sarney government aimed to keep the public deficit this year at 2 percent of gross domestic product, but analysts expect it to be more like 7 or 8 percent.

World Bank Approves Loan To Venezuela

Resters
WASHINGTON — The World Bank has approved a loan package totaling \$755 million for Venezuela, designed to support President Carlos Andrés Pérez's economic austerity measures.

The World Bank said \$187.5 million of the loans could be used for debt reduction.

The two loans, announced Thursday, are \$402 million to support an economic adjustment program and \$353 million for trade policy revisions.

Mr. Pérez has promised to pursue an International Monetary Fund program despite riots and strikes against the austerity measures.

The loans are the first to be approved by the World Bank for Venezuela since 1974. The loans are the second made by the World Bank that can be used for debt reduction. The first was \$1.5 billion for Mexico, approved on Tuesday.

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OPERATOR: Computerized System Replacing Humans Comes on Line

(Continued from first finance page)

monopoly on local service and face no such competition.

Using voice synthesis and voice recognition technology, the electronic operator can make collect and third-party calls. It relies on the caller's response from a push-button keypad, similar to the way the current network processes calls made with a credit card.

To make a collect call, for example, a caller dials 0, the area code, and the seven-digit number. The caller then punches 1 on the keypad to alert the electronic operator that a collect call is desired.

The computer then asks the caller to state whom the call is from, records the caller's response and waits for the called party to answer.

The computer informs the called party that there is a collect call, plays back the name of the caller and instructs the party to answer, yes or no to accept or reject the call.

The automated system recognizes the caller's response and processes the call accordingly. The system, made by Northern Telecom Inc., compares the caller's response with thousands of yes and no responses on a digital template.

Michigan Bell said it spent about \$2 million to install the system. Other companies declined to give any figures.

A caller can reach a live operator at any point by dialing a designated number on the keypad. Live operators are needed in emergency situations, when callers are connected to a wrong number or when the call does not go through.

Telephone company executives say that they have no plans to reduce the number of operators on staff and that the electronic service is part of an effort to reduce the rising cost of providing live operators.

The executives say they expect the electronic service to cut overhead costs by more than half, eliminating the need to hire additional operators to handle the increasing

One analyst expects the technology to replace about half of the estimated 70,000 operators employed by local and long-distance U.S. phone companies

charge of \$1.20 to \$1.48 for collect and credit-card calls that require a live operator.

The surcharge for third-party calls, in which a live operator charges the call to another phone number, is \$1.23. By comparison, a credit-card call that is processed electronically has a surcharge of 30 cents.

A spokesman for the Communications Workers of America, the

union, said that while the union does not oppose the introduction of new technology, it believes that local telephone companies will use the electronic operator system to eliminate jobs and achieve cost savings that they will not share with consumers.

"Consumers are being asked to do most of the work to make such calls and yet they are reaping none of the benefits," said Dina Beaumont, executive assistant for the union.

"It's like offering fast-food telephone service at gourmet prices, and they are taking an enormous risk if they think consumers will put up with the diminution of service," said Ms. Beaumont.

But Thomas Lloyd, Nynex's director of operator services, said the new technology would not only keep the cost of third-party and collect calls from rising but also allow customers to make these calls twice as fast as they can with human operators.

In an early trial of the automated systems by Southern Bell in Atlanta, a survey of consumers found that when given a choice between a live operator and an electronic one, 60 percent preferred the automated systems.

Customers who chose the electronic operator said that they did so because it was a much quicker way of completing the call and that they did not like dealing with human operators.

But at AT&T, Jim Selzer, vice president of operator services, said, "If we introduced electronic operators for these calls, many of our customers would see it as a slight and would be more inclined to use our competitors."

Dan Evanoff, U.S. Sprint's vice president of services, said the cost of providing operator services would be "15 times cheaper" with an automated system.

"But we are willing to pay a substantially higher cost for what customers describe as higher-quality service," Mr. Evanoff said.

AT&T has been reducing the size of its operator force since the 1950s, when it introduced direct long-distance dialing.

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LOW COST FLIGHTS

ACCESS VOYAGES

ACCESS VOYAGES		
	One Way	Round Trip
New York	F1000	F2000
San Francisco	F1590	F3180
Los Angeles	F1590	F3180
Atlanta	F1795	F3590
Dallas	F1795	F3590
Chicago	F1490	F2980
Miami	F1590	F3180
Washington	F1560	F3120
Montreal	F1000	F1890
Vancouver	F2250	F4095
Ile de Janeiro	F3195	F5190
Bali	F2695	F4690
Tokyo	F3990	F6980
Costa Rica	F1490	F2980

FINANCIAL MARKETS

Dollar Closes Mixed In Low-Volume Session

NEW YORK — The dollar closed mixed Friday, and was notably weaker against the yen. The U.S. currency finished higher against the British pound, Swiss franc and Canadian dollar, but lower against other major currencies.

After an extremely volatile day on Thursday, dealers were reluctant to take big positions, and trading was thin. Earlier, rumors that the Bank of Japan would sell dollars Monday spurred a drop below the support level of 1.98 Deutsche marks.

The U.S. currency finished at 1.9825 DM, down from 1.9850 DM on Thursday, and sank to 144.85 yen from 145.80 yen. It also ended at 1.7128 Swiss francs, compared with 1.7105 francs, and at 6.7355 French francs from 6.7375 francs.

The pound fell to \$1.5400 from \$1.5455.

Initially, the dollar rose from late Thursday levels in Asian and early European trading, despite central bank dollar sales, but it failed to hold ground after a U.S. report showed inflation in May at the high end of expectations.

Thursday's panicky selling appeared to have altered the bullish psychology that had carried the dollar to its highest levels since 1967 or late 1968 against some currencies, traders said.

"The same inflation number last

week would have pushed the dollar definitely higher," said Bernd Becker, chief trader for Oesterreichische Länderbank in New York.

The Commerce Department said the U.S. Consumer Price Index rose 0.6 percent in May. High inflation increases the chance the Federal Reserve will keep interest rates high to keep the economy from overheating. Higher rates attract global money into dollars, but nervous speculators used the report as an opportunity to sell.

Also pushing down the dollar, Mr. Becker said, was a report from Japan quoting sources saying the central banks of Japan and West Germany had agreed to intervene jointly to hold down the dollar outside their home markets.

"I think the market really got shaken by what happened," Mr. Becker said, referring to Thursday's session, in which the dollar lost 2.5 percent or more of its value against the pound, mark and yen.

"Billions of dollars were bought at top levels when it looked like it was a one-way street up," he said. "Now speculators are going to use any higher levels to sell."

Dealers said trading was erratic, with the dollar's movement exaggerated by thin volume. Many market players chose to stay on the sidelines after being burned by Thursday's sharp swings.

In London trading earlier, the

London Dollar Rates

Currency	Rate	Change
Dollar	1.5400	-0.0055
Swiss franc	1.7128	-0.0023
French franc	6.7355	-0.0020
West German mark	1.9825	-0.0025

ECONOMY: U.S. Prices Rise

(Continued from first finance page)

Analysts believe the central bank will wait for further evidence that inflation is under control before it raises interest rates any more.

"The Fed's next move is an ease, but they certainly can't ease with the price indices showing these types of gains," said Stephen Gallagher, money market economist at Kidder Peabody & Co. "They can't back off the inflation fight right now."

In May, the overall inflation rate was heavily influenced by a 1.6 percent increase in energy costs. These costs shot up 5.1 percent in April, when there was an all-time record increase in gasoline prices of 11.4 percent.

Last month's increase in gasoline costs was still a strong 3.9 percent, which accounted for about one-fourth of the overall increase in the Consumer Price Index for May.

Food and beverage prices, meanwhile, increased 0.6 percent last month after rising 0.5 percent in April. The May increase included a sharp 3.2 percent jump in prices for fruits and vegetables. Beef prices rose 0.5 percent and poultry prices 3.2 percent.

Excluding the volatile food and energy categories, other consumer prices rose 0.5 percent in May, up from a 0.2 percent increase in April.

Friday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

BOJ's Paper Buying Is Failing to Control Money Rates

TOKYO — Commercial paper-buying operations recently introduced by the Bank of Japan are ineffective as a means of controlling money-market rates, according to money traders in Tokyo.

The operation volumes are too small to impress the huge Japanese money market, said a money trader at a city bank. "This is due to a shortage of eligible CP."

The central bank began buying commercial paper through overnight resale agreements on May 19 in a bid to better manage credit policy.

Recent commercial paper operations have signaled that the Bank of Japan wants money market rates to fall, but have failed to have any lasting effect in the market, money traders said.

On June 9, the Bank of Japan bought 300 billion yen (\$2 billion) of commercial paper through overnight resale pacts at 5 percent. This should have cut the overnight unsecured call rate, which usually moves in parallel with the overnight commercial paper rate. However, the former rose 1/32 point to 5 11/32 percent as the market shrugged off the operation.

Traders say the Bank of Japan may have to await introduction of Japanese treasury bill operations, expected later this year, to get more effective control.

Outstanding open money market instruments, comprising commercial paper, treasury bills, financing bills and certificates of deposit, totaled 30.7 trillion yen at end-May. Outstanding commercial paper was 9.9 trillion yen at the end of May, down from 10.25 trillion at the end of April.

The Bank of Japan buys only commercial paper endorsed by specified money houses with remaining maturities of less than three months. This means only about one-third of commercial paper outstanding are eligible for delivery, traders said.

The Finance Ministry allowed certain domestic companies to issue commercial paper from November 1967, and issue growth increased steadily until last April.

However, interest in issuing commercial paper has begun to gradually decrease in response to the rise of the discount rate on May 31 to 3.25 percent from 2.5 percent.

"We are reluctant to buy and hold commercial paper just for the purpose of a one-day operation," said a money trader at a city bank. "It means we must carry the risk for three months."

"Before the introduction of CP operations, we resold them as fast as we could," he said. Other traders said they must be prepared for

commercial paper operations almost every day, but if the Bank of Japan fails to conduct one, participants must resell the commercial paper to raise cash.

Some said for commercial paper operations to be successful in the long term, the Bank of Japan should increase the level of commercial paper outstanding and introduce operations of longer than one day.

Under the current system, the seller hands over commercial paper to the central bank by noon on the day of the operation, and the Bank of Japan sells it back on the afternoon of the following day.

Many dealers at city banks say commercial paper operations have limited effect because of their temporary nature before the introduction of treasury bill operations and because banks are reluctant to buy commercial paper due to weak demand by investors.

The Bank of Japan is likely to continue the commercial paper operations until treasury bill operations are brought in, which could be as early as the third quarter of this year, some money dealers said.

In light of these factors, it is unlikely that commercial paper will become a key money market instrument the way commercial bills have, they said. Commercial bill operations are conducted on an interbank basis.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, June 16

Market	Index	Change
Amsterdam	100.00	+0.10
Brussels	100.00	+0.10
Frankfurt	100.00	+0.10
Hamburg	100.00	+0.10
London	100.00	+0.10
Paris	100.00	+0.10
Stockholm	100.00	+0.10
Switzerland	100.00	+0.10
Vienna	100.00	+0.10
Zurich	100.00	+0.10

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Vienna	100.00	+0.10
Zurich	100.00	+0.10

SPORTS

SIDELINES

Sabres of NHL Fire Sator as Coach

BUFFALO, New York (AP) — Ted Sator, who led the Buffalo Sabres to a pair of third-place finishes in its National Hockey League division but was unable to get the team past the first round of the playoffs, has been fired.

Sator, who became coach in December 1986, had a 96-89-22 record with the Sabres. He led the team to third-place finishes in the Adams Division in both of his full seasons as coach, but the Sabres were eliminated in the first round of the playoffs both times by the Boston Bruins.

Last season, the Sabres finished 38-35-7, but lost in the playoffs to the Bruins despite going 3-0-3 against Boston in the regular season.

Sanders: Yankee Farm Club No-Show?

NEW YORK (AP) — Outfielder Deion Sanders, demoted by the New York Yankees to its Columbus, Ohio, farm team on Sunday, is taking his time getting there. That he also was chosen fifth overall by the Atlanta Falcons in the National Football League draft in April may have something to do with it.

After nine games with the Yankees, Sanders was told Monday to report to the Columbus team within 72 hours, but still had not arrived in time for a game on Thursday, according to the New York Post. Sanders, an All-America defensive back at Florida State, met with officials of the Falcons on Tuesday, but the Post quoted Sanders' agent as saying the player and team were far apart on contract talks.

New York's general manager, Bob Quinn, was quoted as saying Sanders' baseball contract allowed him 10 days to negotiate a possible football deal and that he already had used eight.

For the Record

Canadian weightlifter Bob Karsch has been suspended from competition for two years after testing positive for use of steroids, the Canadian Weightlifting Federation has announced. (AP)

Green and Mahorn Are Top NBA Picks

Compiled by Our Staff From Dispatches

The Orlando Magic used the first pick of the National Basketball Association expansion draft Thursday to select Sidney Green from the New York Knicks, but the Minnesota Timberwolves scored big in shock value, picking Rick Mahorn, who less than 48 hours earlier was starting for Detroit in the NBA finals, and Tyrone Corbin, a prominent member of the Phoenix Suns.

The Pistons, who completed a four-game sweep of the Los Angeles Lakers on Tuesday night, figured to lose a big-name player, but most speculation had centered on Vince Johnson or James Edwards. So Mahorn's availability, attributed to continuing back problems and perhaps a desire to get more playing time for Dennis Rodman and John Salley, was a stunner, topped only by the timing.

The Pistons had their victory parade through the streets of Detroit on Thursday afternoon and Jack McCloskey, the team's general manager, had a portable phone with him, hoping to call the expansion teams and try to talk them out of taking Mahorn by making a trade.

From the parade, the Pistons went to their home court in suburban Auburn Hills for another celebration, which included a rousing speech by Mahorn, a 6-foot-10 (2.08-meter) forward who personified the team's "bad boy" image.

Then, at a locker room meeting just after that, Mahorn got the news. "It's a business deal," he said. "I'll be all right."

Minnesota used its second pick for Corbin, another forward, who helped the Suns advance to the Western Conference finals.

Minnesota's other selections included guard David Rivers of the Lakers, guard-forward Eric White of the Los Angeles Clippers, forward-center Steve Johnson of Portland, forward Brad Lohaus of Sacramento, forward Mark Davis of Milwaukee, forward Scott Roth of San Antonio, forward Shilton Jones of Philadelphia, guard Maurice Martin of Denver, and center Gunther Behnke, whose rights were owned by Cleveland, although he never signed after being drafted in 1985.

After first picking Green, Orlando took 11-year veteran Reggie Theus from Atlanta.

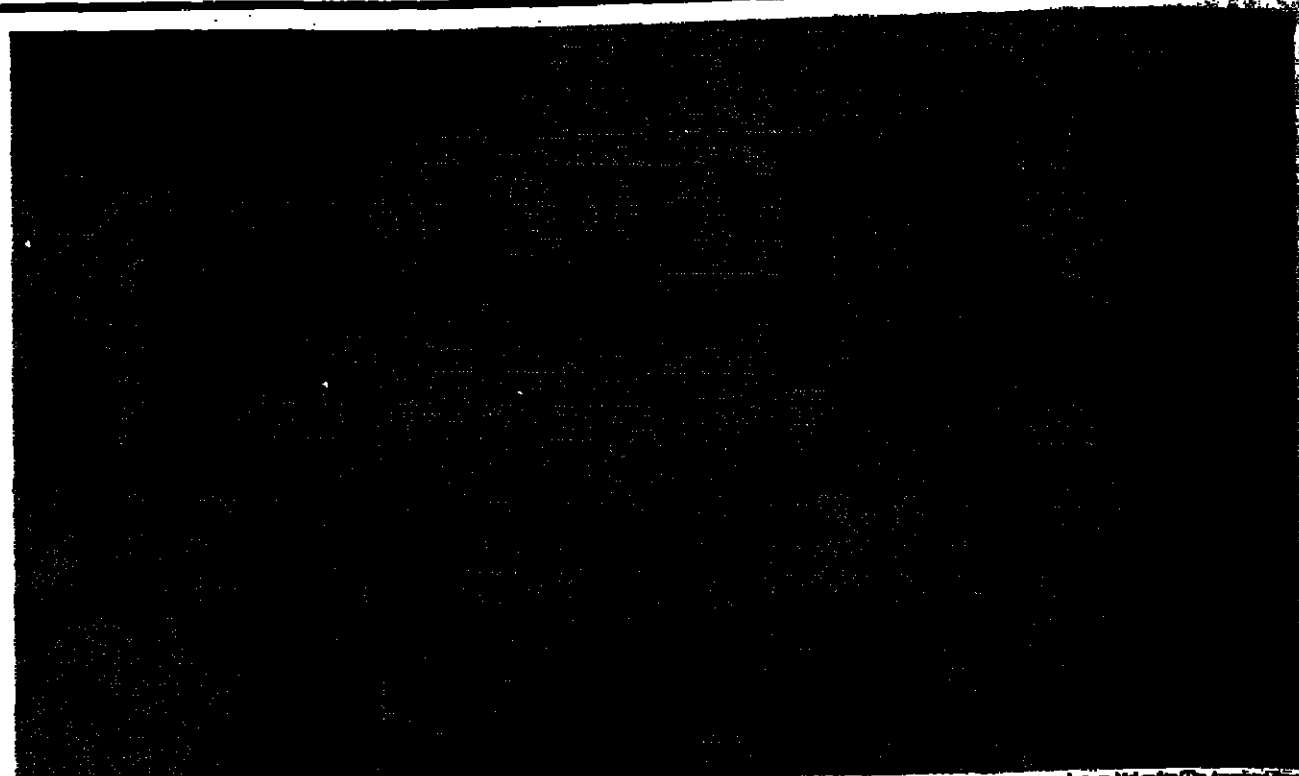
Green, 28, averaged 6.3 points this season playing as a backup to both Charles Oakley and Patrick Ewing.

The Knicks had hoped Green's \$300,000 salary would discourage Orlando or Minnesota from taking him. But Orlando acted quickly when Green was left unprotected.

Theus, heading for his third team in three years, was the only Hawk who started every game last season, and he scored in double figures in 69 of the 82 games, getting 20 points or more in 23 outings.

From there, the Magic selected forward Terry Catledge of Washington, guard Sam Vincent of Chicago, guard Otis Smith of Golden State, guard Scott Skiles of Indiana, forward Jerry Reynolds of Seattle, center Mark Acres of Boston, guard Morlon Wiley of Dallas, guard Jim Farmer of Utah, forward-center Keith Lee of New Jersey, and guard Frank Johnson of Houston.

Charlotte and Miami, last season's expansion teams, were exempt from the expansion draft. (LAT, NYT)



PISTONS ON PARADE — Members of the Detroit Pistons, champions of the National Basketball Association, waving to fans during a parade Thursday in Detroit. The city exulted in its first sports crown since 1984, when the Tigers won the World Series.

A Cool \$800 Is Lost on Hot Pistons Tickets

DETROIT — He's got a ticket to ride, but nowhere to go.

Gordon Hicks, a Detroit Pistons fan, paid \$800 for a pair of tickets to see the Pistons take on the Los Angeles Lakers in the sixth game of the National Basketball Association finals.

It was an investment that paid miserable dividends. When the Pistons swept the series in four games, the tickets, which had been seized in a drug raid and auctioned by the state of Michigan, became worthless.

"I had my eyes open," Hicks said. "I gambled and lost. I can tell you, I won't be doing this again — ever."

The state Department of Treasury said that "all sales of items at auction are final."

U.S. Soccer Team Faces Crucial World Cup Test

NEW YORK — U.S. soccer, emerging from minority sport status, could boost its credibility by edging closer Saturday to the finals of the game's premier competition, the World Cup finals.

The United States plays Guatemala on Saturday in a qualifying game, which is crucial not only to U.S. chances of reaching the 1990 World Cup finals in Italy, but also to its credentials as the host of the 1994 finals.

"We expect to be in Italy," said the assistant U.S. coach, Joe Maccinik, last week after his team beat Peru, 3-0, in a four-team tournament at Giants Stadium near New York City. The game did not count toward World Cup qualification.

Forty years ago, the United States, with a team comprising mainly recent immigrants, staged perhaps the biggest upset in World Cup history: a 1-0 defeat of England in Brazil.

But the current U.S. players are different; they are young, skilled and raised in a country where soccer is no longer considered an alien sport.

4 Top Events In Pro Tennis Join Forces

United Press International

LONDON — Representatives of the four Grand Slam tennis tournaments have agreed to work together in a new International Tennis Federation committee to maintain uniform rules and policies.

A statement by the ITF on Thursday said the chairman of the French Open, Wimbledon, U.S. Open and Australian Open had requested the special committee to insure continuity as the new Association of Tennis Professionals tour begins in 1990.

The ATP formed its own tour last year because many of the men players felt their needs were ignored by organizers of the current Grand Prix tour, which includes the four Grand Slam events.

The Grand Slam committee will hold its inaugural meeting at Wimbledon, which starts June 26.



THUMBS UP FOR A FIGHT — Mike Tyson, world heavyweight boxing champion, and Don King, his promoter, announcing Tyson's next title defense, against Carl Williams on July 21 in New Jersey.

BOOKS

MY SECRET HISTORY

By Paul Theroux. 511 pages. \$21.95. G. P. Putnam's Sons Inc., 200 Madison Avenue, New York, N. Y. 10016.

Reviewed by Michiko Kakutani

NEAR the end of Paul Theroux's powerful new novel, a writer named Andre Parent picks up a collection of Chekhov's short stories, and stumbles across a passage that seems to sum up his own sense of living a double life:

"By a kind of strange concatenation of circumstances, possibly quite by accident, everything that was important, interesting, essential, everything about which he was sincere and did not deceive himself, everything that made up the quintessence of his life, went on in secret."

All writers, of course, lead such double lives: one, the sunlit life of mundane joys and frustrations, shared with everyone else; the other, a shadowy life of dreams and imagination.

In one, the writer functions as a seemingly ordinary human being; in the other, he is an observer, a witness committed to taking notes in order that he may later reinvent reality in the privacy of his own room.

This second life is not unlike that of a traveler or a spy: The writer's disengagement protects him from life's small brutalities, conferring on him the safety of detachment.

"He picked up discarded letters and read them," writes Theroux, "foraged in the wastebasket at the main post office for first drafts of telegrams that people threw away — all that passion in a few lines; and he stared intently at the way women's clothes fit their bodies. If a woman glanced at him he went away; if ever he caught anyone's eye he looked away and moved on. He was a letter writer. He killed time at the movies. He went to museums. He sat alone at concerts. He loitered in libraries. In the early darkness of winter he peered at the lighted windows of houses and looked in."

Being a writer, however, is not the only secret life of Theroux's hero. In fact, as laid out in this picaresque history, his entire existence seems animated by a duality, a need to live through contradictions.

The altar boy, who dreams of becoming a priest, sneaks off from church to sleep with his girlfriend; the earnest Peace Corps volunteer nearly tries to seduce every local African girl he can find; the happily married writer conducts a trans-Atlantic affair with another woman; the intrepid world traveler dreams of returning to his comfy London home.

The chapters in this novel devoted to Andre's years in Nyassaland and Uganda display Theroux's now patented ability to describe the foreign, the alien, the strange, with both an insider's affection and an outsider's eye for the incongruous detail.

As in the best travel writing, we are given a portrait of a foreign country at a certain moment in time (in this case, poised between a colonial past and an Americanized future); and as in many a Bildungsroman, we also witness a young man's coming of age.

We see Andre attempt to start a new life; we see him try to sort out his romantic and sexual confusions; and we see him begin to write. By the time Andre has completed his literary apprenticeship and become a successful author, he has acquired a new set of domestic complications as well. Part of the time, he lives with his wife and son in London; part of the time, he lives with a girlfriend on Cape Cod. As he observes, he now has "two of everything" — two women, two houses, two lives.

"I lived in the cracks between them — had only ever lived in that space," he observes. "Outside it, among others, I was not myself, and so no one knew me. Was that everyone's condition — that we were each of us unknown? I did not talk. I listened. I watched. And in my silence I became invisible."

In describing Andre's predicament, Theroux resists easy moralizing; he instead allows the reader to meet his hero on his own terms — as an elusive, conflicted individual, by turns, charming, mercenary and sympathetic.

Michiko Kakutani is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ONE would like to think that the fates are even-handed: If they administer a heavy blow, they compensate with generosity. This certainly was the recent experience of René Ducheyne of The Hague. Last month, in his capacity as the president of the International Bridge Press Association, he came to New York to present an award to Wan Li, the head of China's National People's Congress, as bridge personality of the year. But events in Beijing forced Mr. Wan to return home. The remorseful fates permitted Ducheyne to finish second in one strong event at the Cavendish Club and first in another. They were certainly smiling on him during the diagrammed deal, in which he landed in four hearts after his partner had doubled an opening bid of one club. His one no-trump response in principle denied a major suit, so two hearts was simply an attempt to find a 3-4 fit. His partner drove to a game that was distinctly shaky. Ducheyne won the club lead in dummy, crossed to the heart king and led to the diamond queen. He now found the only combination that would permit the game to make: king-ten doubleton with West. This was not as remote as it might have been, since West was likely to have the king and unlikely to have length. There was reason to think he had four spades, since East had not bid the suit. Nevertheless, it was a small miracle to be able to pick up the missing diamonds, draw trumps and take 10 tricks. Ducheyne emerged victorious at the end of the evening.

	NORTH	EAST	SOUTH	WEST
♠	A 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2
♥	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2
♦	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2
♣	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2	A K Q J 10 9 8 7 6 5 4 3 2

Neither side was vulnerable. The West led the club two.

PEANUTS



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



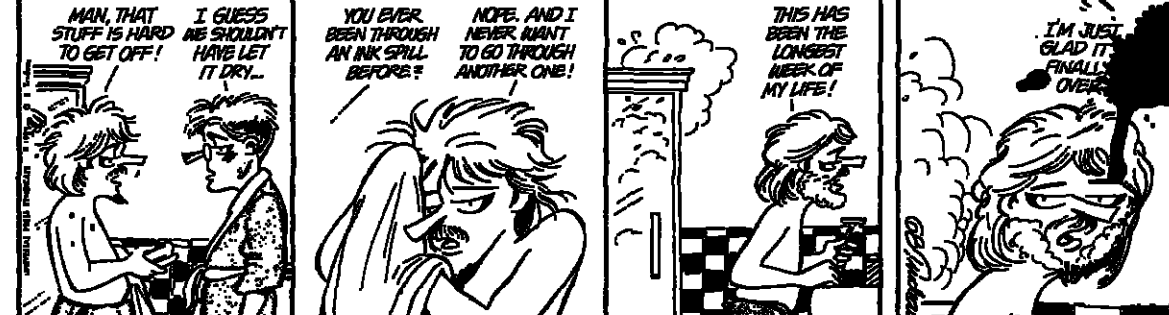
REX MORGAN



GARFIELD



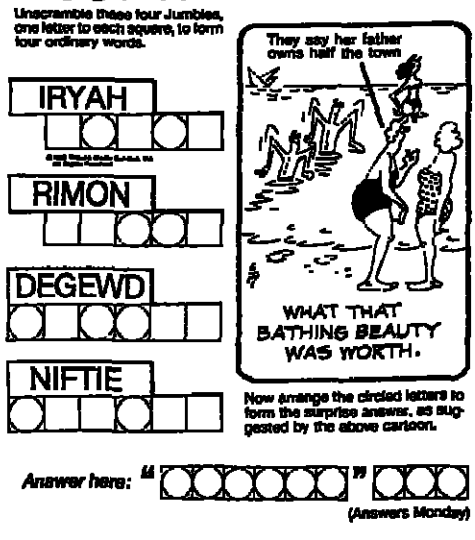
DOONESBURY



DENNIS THE MENACE



JUMBLE



BLONDIE



AP Photo/John...

